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United States-German Economic Yearbook 1988

Deutsch-Amerikanisches Wirtschaftsjahrbuch

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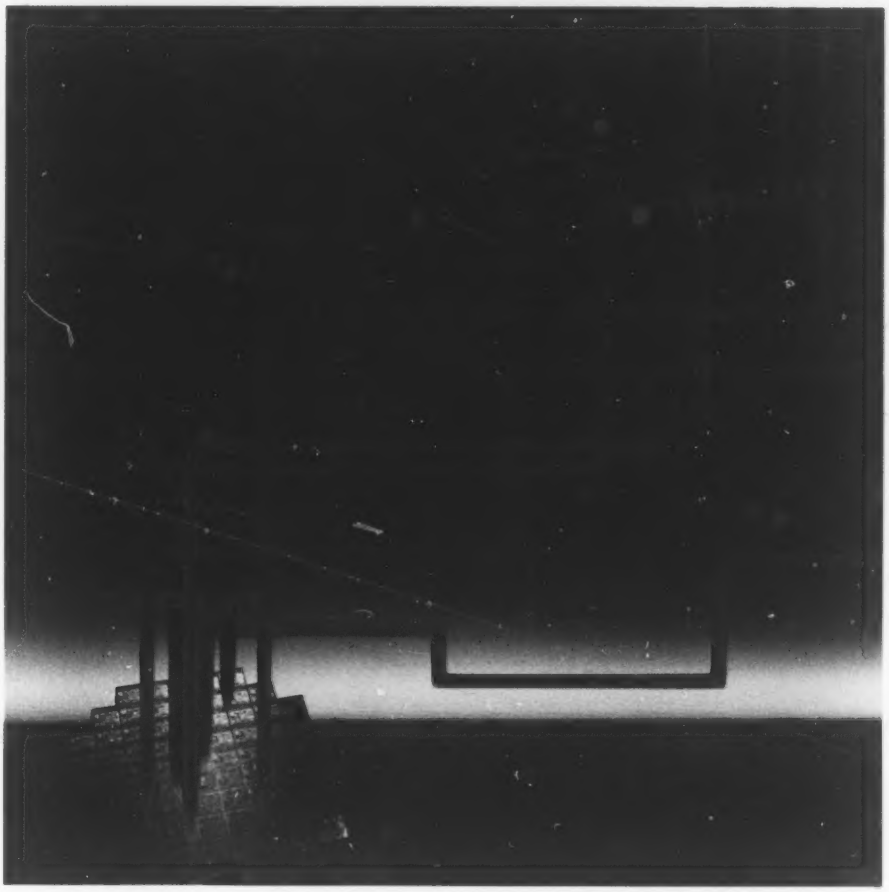

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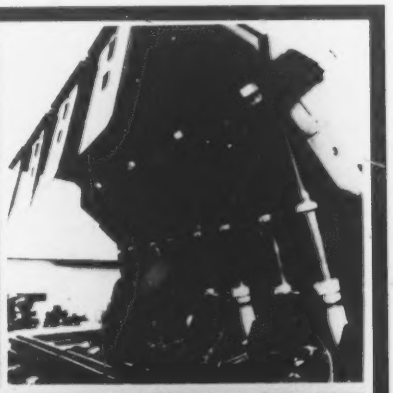

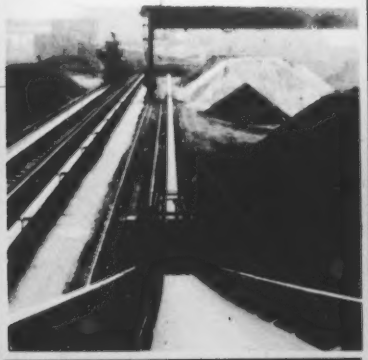

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Preface

A little over a year ago, in the wake of the October 1987 stock market crash, it looked to many as if the Western industrialized countries had moved to the edge of a great abyss and were about to take a giant step forward. Well, as the Chinese say, it doesn't really matter whether a cat is black or white, it matters only whether it can catch mice. In this instance, while still painfully vulnerable to widespread trade distortions and yawning budget deficits, our economies have proved to be remarkably resilient and vigorous. So, for the next few months economists can do what they do best: provide twenty-twenty hindsight on what went right.

Surveying the state of the economies of the industrialized world, it's difficult to resist the conclusion that a great deal has been going right in 1988. Western Europe, for example, is growing at its fastest pace in a decade, with estimates placing average expansion this year at 3.5 percent. Of equal importance, the European Community in Brussels is forecasting that the economies of the 12-nation EC will grow by a very respectable 2.75 percent in 1989.

This year also witnessed a maior milestone as the United States and the Federal Republic each entered their seventh consecutive year of economic expansion. U.S. gross national product in 1988 is likely to be up just under 4 percent for the full year, and the average forecast for 1989 is growth of around 2.5 percent. Though contrarians may draw some ominous conclusions, the vast majority of analysts are betting that there will be no recession in 1989.

The business scene in Germany is also reassuring. Growth for all of 1988 will undoubtedly amount to about 3.5 percent, and even the most conservative analysts believe that 1989 will see further expansion on the order of 2.5 percent. The big suprise of the year was the domestic boom in fixed investment and the worldwide demand for capital goods. With the latter representing 60 percent of German exports, the economy received a strong shot of adrenalin, one that is likely to extend well into 1989.

In retrospect, 1988 may also have witnessed the beginning of the "European phenomenon", a new perception within the EC and abroad that the proposed unified European market after 1992 is indeed going to become reality. Preparations for "1992" have already catalyzed a dynamic spirit in European business, one that has been reflected in a more robust pace of investment and large-scale, cross-border acquisitions. The old saw of Eurosclerosis has been exorcised and replaced by something akin to Europhoria. As Europe's largest trading partner, the United States is likely, on balance, to be a major beneficiary and not, as some worry, a victim.

In conclusion, I want to take this opportunity to express my appreciation to the distinguished roster of American and German authors who have contributed so generously of their time and talent to our 1988 edition. We at the German American Chamber of Commerce feel that this endeavor reflects the enlightened spirit of mutual commitment that has made such a successful 1988 possible.

Werner Walbroel
Executive Director
German American Chamber of Commerce
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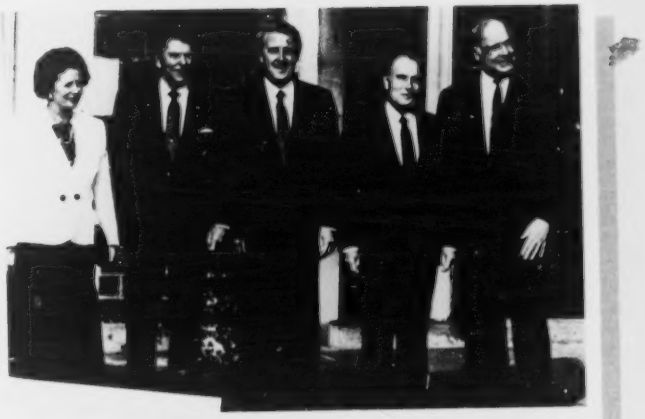
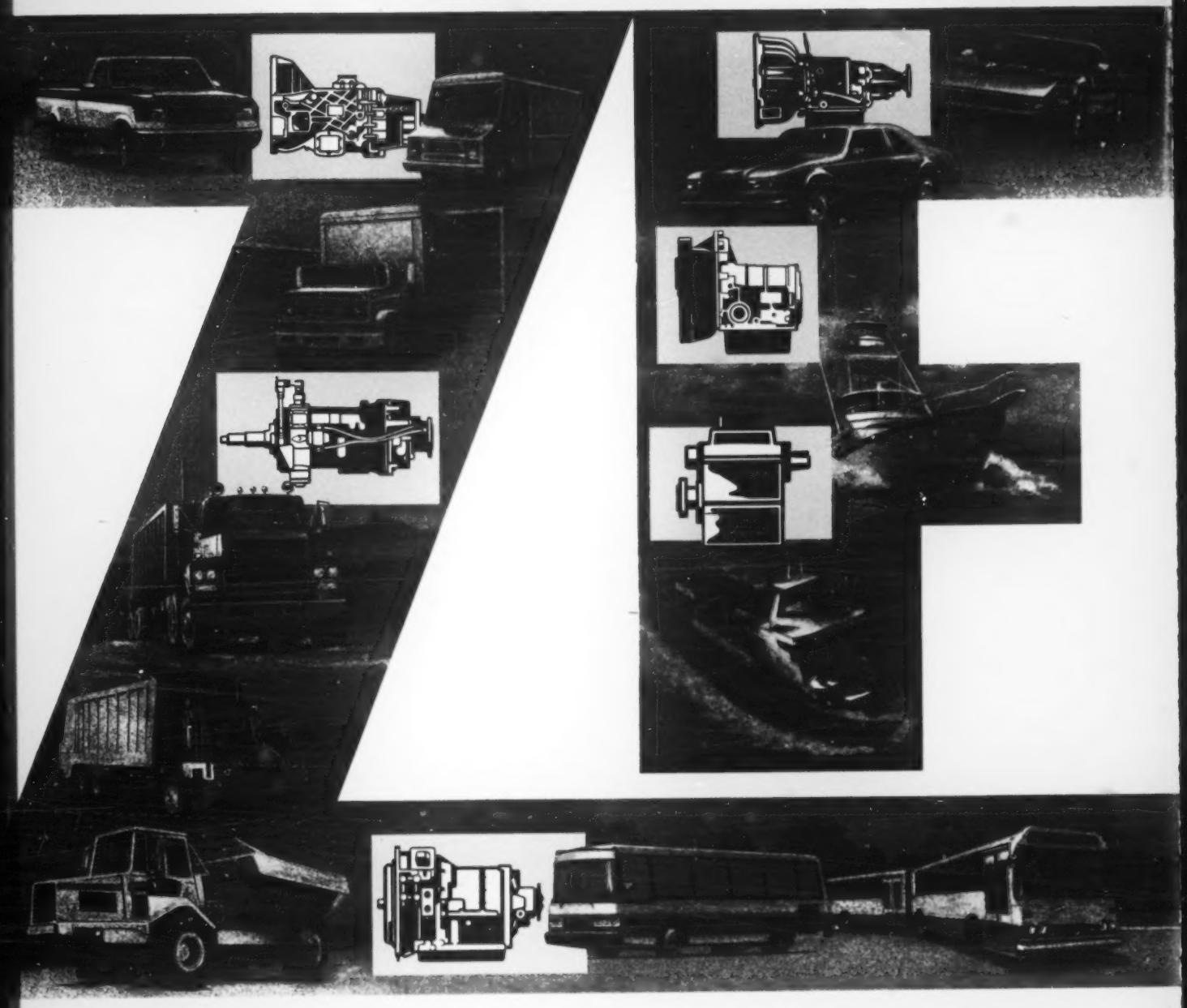
CAPITAL VIEW





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Dringendste Priorität: Reduzierung des Defizits

The Federal Government Deficit and the U.S. Economy

Alan Greenspan
Chairman
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Federal Reserve System

I support the thesis that federal government deficits do matter. It may appear misplaced to focus on an issue whose validity is unquestioned by most informed individuals, but there is a significant counterview, fortunately to date a minority opinion, that in fact deficits do not matter much, or in any event that there is no urgency in coming to grips with them.

The bulk of my opening remarks will concentrate on the long-term corrosive impact of the deficit. From this perspective, the case for bringing down the deficit is compelling. But first, I want to stress that the long run is rapidly turning into the short run. If we do not act promptly, the imbalances in the economy are such that the effects of the deficit will be increasingly felt and with some immediacy.

It is beguiling to contemplate the strong economy of recent years in the context of very large deficits and to conclude that the concerns about the adverse effects of the deficit on the economy have been misplaced. But this

The deficit already has begun to eat away at the foundations of our economic strength . . .

argument is fanciful. The deficit already has begun to eat away at the foundations of our economic strength, and the need to deal with it is becoming ever more urgent. To the extent that some of the negative effects of deficits have not as yet been felt, they have been merely postponed, not avoided. Moreover, the scope for further such avoidance is shrinking.

Full Impact of Deficit Not Obvious

To some degree, the effects of the federal budget deficits over the past several years have been muted by two circumstances, both of which are currently changing rapidly. One was the rather large degree of slack in the economy in the early years of the current expansion. This slack meant that the economy could accommodate growing demands from both the private and public sectors. In addition, to the extent that these demands could not be accommodated from U.S. resources, we went abroad and imported them. This can be seen in our large trade and current account deficits.

By now, however, the slack in the U.S. economy has contracted substantially. And it has become increasingly clear that reliance on foreign sources of funds is not possible or desirable over extended periods. As these sources are reduced along with our trade deficit, other sources must be found, or demands for saving curtailed. The choices are limited; as will become clear, the best option for the American people is a further reduction in the fed-

eral budget deficit, and the need for such reduction is becoming more pressing.

Owing to significant efforts by the administration and Congress, coupled with strong economic growth, the deficit has shrunk from 5 to 6 percent of gross national product a few years ago to about 3 percent of GNP today. Such a deficit, nevertheless, is still very large by historical standards. Since World War II, the actual budget deficit has exceeded 3 percent of GNP only in the 1975 recession period and in the recent deficit experience beginning in 1982. On a cyclically adjusted or structural basis, the deficit has exceeded 3 percent of potential GNP only in the period since 1983.

The United States deficits of recent years are threatening precisely because they have been occurring in the context of private saving that is low by both historical and international standards.

Private Saving and the Deficit

Government deficits, however, place pressure on resources and credit markets only if they are not offset by saving elsewhere in the economy. If the pool of private saving is small, federal deficits and private investment will be in keen competition for funds, and private investment will lose.

The United States deficits of recent years are threatening precisely because they have been occurring in the context of private saving that is low by both historical and international standards. Historically, net personal plus business saving in the United States in the 1980s is about 3 percentage points lower relative to GNP than its average in the preceding three decades. Internationally, government deficits have been quite common among the major industrial countries in the 1980s, but private saving rates in most of these countries have exceeded the deficits by very comfortable margins. In Japan, for example, less than 20 percent of its private saving has been absorbed by government deficits, even though the Japanese general government has been borrowing almost 3 percent of its gross domestic product in the 1980s. In contrast, over half of private U.S. saving in the 1980s has been absorbed by the combined deficits of the federal and state and local sectors.

Public Absorption of Resources

Under these circumstances, such large and persistent deficits are slowly but inexorably damaging the economy. The damage occurs because deficits tend to pull resources away from net private investment. And a reduction in net investment has reduced the rate of growth of the nation's capital stock. This in turn has meant less capital per worker than would otherwise have been the case, and this will surely engender a shortfall in labor productivity growth and, with it, a shortfall in growth of the standard of living.

The process by which government deficits divert resources from net private investment is part of the broader process of redirecting the allocation of real resources that inevitably accompanies the activities of the federal government. The federal government can preempt resources from the private sector or direct their usage by a number of different means, the most important of which are: 1) deficit spending, on- or off-budget; 2) tax-financed spending; 3) regulation mandating private activities such as pollution control or safety equipment, which are financed by industry through the issuance of debt instruments; and 4) government guarantees of private borrowing.

What deficit spending and regulatory measures have in common is that the extent to which resources are preempted by government actions, directly or indirectly, are not sensitive to the rate of interest. The federal government, for example, will finance its budget deficit in full, irrespective of the interest rate it must pay to raise the funds.

The damage occurs because deficits tend to pull resources away from net private investment.

Similarly, a government-mandated private activity will almost always be financed irrespective of the interest rate that exists. Borrowing with government-guaranteed debt may be partly interest sensitive, but the guarantees have the effect of preempting resources from those without access to riskless credit. Government spending fully financed by taxation does, of course, preempt real resources from the private sector, but the process works through channels other than real interest rates.

The Internal Revenue Service in Washington, DC. There will be intense pressure on the White House to shave the budget deficit by raising taxes.

Purely private activities, on the other hand, are, to a greater or lesser extent, responsive to interest rates. The demand for mortgages, for example, falls off dramatically as mortgage interest rates rise. Inventory demand is, clearly, a function of short-term interest rates, and the level of interest rates, as they are reflected in the cost of capital, is a key element in the decision on whether to expand or modernize productive capacity. Hence, to the extent that there are more resources demanded in an economy than are available to be financed, interest rates will rise until sufficient excess demand is finally crowded out.

The crowded out demand cannot, of course, be that of the federal government, directly or indirectly, since government demand does not respond to rising interest rates. Rather, real interest rates will rise to the point that private borrowing is reduced sufficiently to allow the entire requirements of the federal on- and off-budget deficit, and all its collateral guarantees and mandated activities, to be met.

The Treasury has been a large and growing customer in financial markets in recent years.

In real terms, there is no alternative to a diversion of real resources from the private to the public sector. In the short run, interest rates can be held down if the Federal Reserve accommodates the excess demand for funds through a more expansionary monetary policy. But this will only engender an acceleration of inflation and, ultimately, will have little if any effect on the allocation of real resources between the private and public sectors.

The Treasury has been a large and growing customer in financial markets in recent years. It has acquired, on average, roughly 25 percent of the total funds borrowed in domestic credit markets over the last four years, up from less than 15 percent in the 1970s. For the Treasury to raise its share of total credit flows in this fashion, it must push other borrowers aside.

Effects of Interest Rates

The more interest responsive are the total demands of these other, private borrowers—the less will the equilibrium interest rate be pushed up by the increase in Treasury borrowing. That is, the greater the decline in the quantity of funds demanded, and the associated spending to be financed, for a given rise in interest rates, the lower will be the rate. In contrast, if private borrowing and spending are resistant, interest rates will have to rise more before enough private spending gives way. In either case, private investment is crowded out by higher real interest rates.

Even if private investment were not as interest elastic as it appears to be, crowding out of private spending by the budget deficit would occur dollar-for-dollar if the total supply of saving were fixed. To the extent that the supply of saving is induced to increase, both the equilibrium rise

The Marriner S. Eccles Federal Reserve Board Building in Washington, DC.

in interest rates and the amount of crowding out will be less. However, even if more saving can be induced in the short run, it will be permanently lowered in the long run to the extent that real income growth is curtailed by reduced capital formation.

But aggregate investment is only part of the process through which the structure of production is affected by high real interest rates. Higher real interest rates also induce both consumers and businesses to concentrate their purchases disproportionately on immediately consumable goods and, of course, services. When real interest rates are high, purchasers and producers of long-

When real interest rates are high, purchasers and producers of long-lived assets such as real estate and capital equipment pull back.

lived assets such as real estate and capital equipment pull back. They cannot afford the debt carrying costs at high interest rates, or if financed with available cash, the forgone interest income resulting from this expenditure of the cash. Under such conditions, one would expect the GNP to be disproportionately composed of short-lived goods—food, clothing, services, etc.

The Treasury Department will play a key role in formulating a budget reduction policy.

Indeed, statistical analysis demonstrates such a relationship—that is, a recent decline in the average service life of all consumption and investment goods and a systematic tendency for this average to move inversely with real rates of interst. Parenthetically, the resulting shift toward shorter-lived investment goods means that more *gross* investment is required to provide for replacement of the existing capital stock as well as for the *net* investment necessary to raise tomorrow's living standards. Thus, the current relatively high ratio of gross investment to GNP in this country is a deceptive indicator of the additions to our capital stock.

Falling Net Investment

In fact, we have already experienced a disturbing decline in the level of net investment as a share of GNP. On a national income and product accounts basis, net investment has fallen to 4.7 percent of GNP in the 1980s from an average level of 6.7 percent in the 1970s and even higher in the 1960s. Moreover, it is low not only by our own historical standards but by international standards as well.

International comparisons of net investment should be viewed with some caution because of differences in the measurement of depreciation . . .

International comparisons of net investment should be viewed with some caution because of differences in the measurement of depreciation and in other technical details. Nevertheless, the existing data do indicate that total net private and public investment as a share of gross domestic product over the period between 1980 and 1986 was lower in the United States than in any other industrial countries except the United Kingdom.

It is important to recognize as I indicated earlier that the negative effects of federal deficits on growth in the capital stock may be attenuated for a while by several forces in the private sector. One is a significant period of output growth in excess of potential GNP growth—such as occurred over much of the past six years—which undoubtedly boosts sales and profit expectations and, hence, business investment. Such rates of output growth, of course, cannot persist, making this factor inherently temporary in nature.

Another factor tending to limit the decline in investment spending would be any tendency for saving to respond positively to the higher interest rates deficits would bring. The supply of domestic private saving has some interest elasticity, as people put off spending when borrowing costs are high and returns from their financial assets are favorable. But most analysts find that this elasticity is not sufficiently large to matter much.

Finally, net inflows of foreign saving can be, as recent years have demonstrated, an important addition to saving. In the 1980s, foreign saving has kept the decline in the gross investment-GNP ratio, on average, to only moderate dimensions (slightly more than one-half percentage point) compared with the 1970s, while the federal deficit rose by about 2½ percentage points relative to GNP. Net inflows of foreign saving have amounted, on average, to almost 2 percent of GNP, an unprecedented level.

Opinions differ about the relative importance of high United States interest rates, changes in the after-tax return on investment in the United States, and changes in perception of the relative risks of investment in various countries and currencies in bringing about the foreign capital inflow. Whatever its source, had we not experienced this addition to our saving, our interest rates would have been even higher and domestic investment lower. Indeed, since 1985, when the appetite of private investors for dollar assets seems to have waned, the downtrend in real long-term rates has become erratic, tending to stall with the level still historically high.

Looking ahead, the continuation of foreign saving at current levels is questionable. Evidence for the United States and for most other major industrial nations over the last 100 years indicates that such sizable foreign net capital inflows have not persisted and, hence, may not be a reliable substitute for domestic saving on a long-term basis. In other words, domestic investment tends to be supported by domestic saving alone in the long run.

Let me conclude by reiterating my central message. The presumption that the deficit is benign is clearly false. It is partly responsible for the decline in the net investment ratio in the 1980s to a sub-optimal level. Allowing it to go on courts a dangerous corrosion of our economy. Fortunately, we have it in our power to reverse this process, thereby avoiding potentially significant reductions in our real standard of living. ■

This article is dated November 16, 1988.

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Überblick

Dringendste Priorität: Reduzierung des Defizits

Bei allen Erörterungen des Defizits kann nicht oft genug betont werden, daß der ehemals als "langfristig" angesehene Zeitraum allmählich zum "Kurzfristigen" wird und sich folglich die Ungleichgewichte in der Wirtschaft sehr bald spürbar bemerkbar machen, wenn wir nicht umgehend energisch handeln. Das Defizit zehrt bereits an den Grundlagen unserer wirtschaftlichen Stärke.

Die jüngsten Defizite der USA sind besonders bedrohlich angesichts der sowohl im internationalen Vergleich als auch im Lande selbst historisch niedrigen Sparquoten. Ein weiterer Faktor ist die Tatsache, daß sich der Bund in den letzten Jahren so stark auf den Kreditmärkten breit gemacht hat, daß andere Kreditnehmer zur Seite gedrängt werden. Sein Anteil an den Kreditaufnahmen insgesamt auf den inländischen Kreditmärkten während der letzten vier Jahre stieg von weniger als 15 Prozent in den siebziger Jahren auf ca. 25 Prozent. Anders ausgedrückt: Diese Ressourcen stehen privaten Investitionen nicht zur Verfügung.

Damit wird nur umso klarer, daß wir uns täuschen lassen, wenn wir angesichts der scheinbar gut florierenden Wirtschaft das Defizit für "gutartig" halten. Wenn wir das weitere Absinken der Nettoinvestitionsrate zulassen, so ermöglichen wir damit eine gefährliche Unterminierung unserer gesamten Wirtschaft. Wir haben die Mittel, diesen Prozeß aufzuhalten, und im Interesse einer Aufrechterhaltung unseres Lebensstandards bleibt uns nichts anderes übrig. ❑

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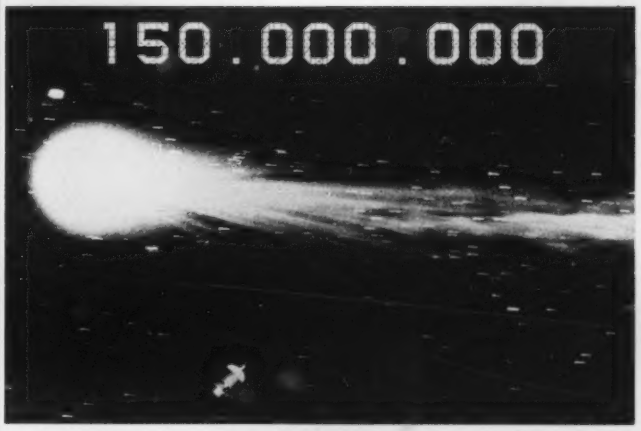

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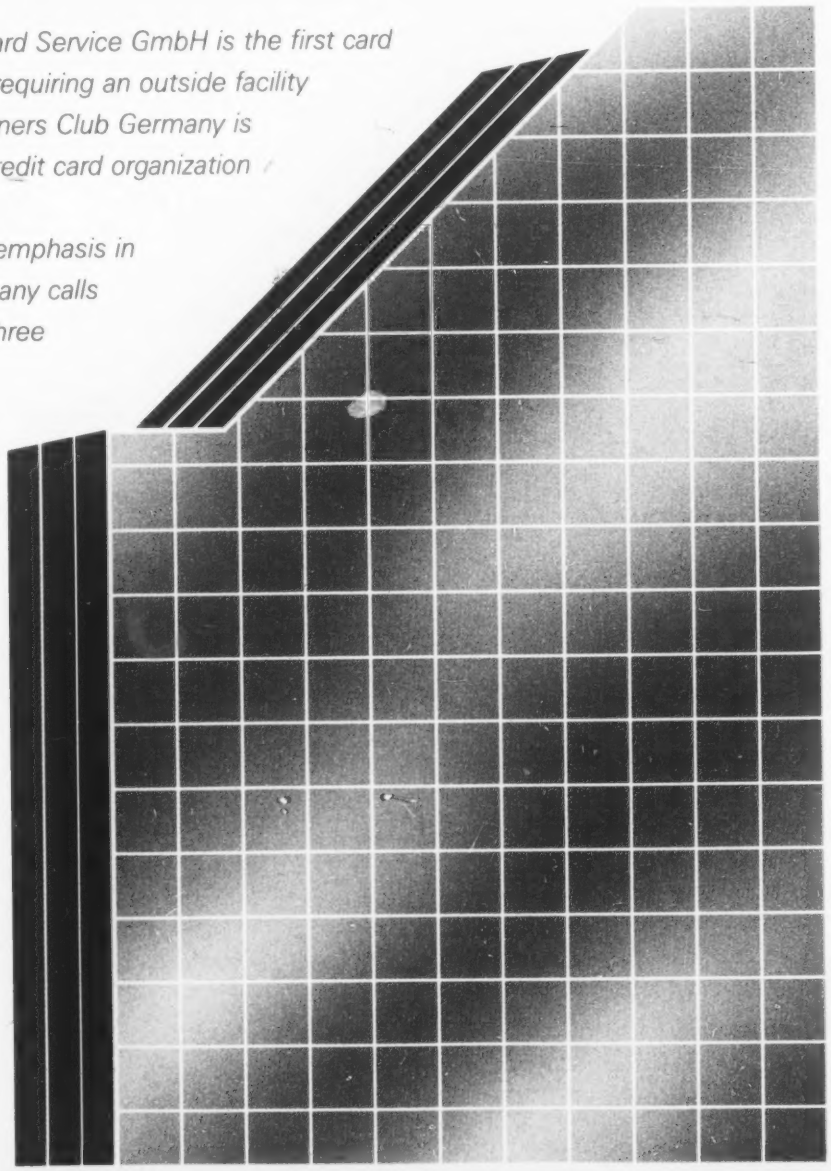

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Internationale Kooperation als permanenter Prozess

International Cooperation as a Permanent Process

Karl Otto Poehl
President
Deutsche Bundesbank

When the finance ministers and governors of the central banks of the seven leading industrial nations met at the end of September 1987 for the annual meeting of the International Monetary Fund and the World Bank, the parity of the American dollar stood only slightly under its level today—a year later. In the meantime, however, the dollar had plunged to a new low versus the German mark and had then proceeded to rachet up some 20 percent on the currency markets.

These currency swings have not abated, neither in terms of frequency nor magnitude. Unfortunate as this may be, they can, in the last analysis, only be corrected in a step-by-step process. The great imbalances in international trade in goods and services still create latent insecurity in the marketplace. This condition will permit only a gradual diminution of the swings in expectations with respect to the parities of the world's major currencies. However, hopes and fears for the future on the part of the main constituencies in the global financial markets form the hard basis for any evaluation of exchange-rate relationships. How, then, can the great extremes in valuating the *true parity of the dollar* be avoided?

Cooperation, Not Confrontation

A key precondition is a continuing effort to encourage international cooperation and to view it as a permanent process that constantly requires new initiatives. Only by this means can we ensure that the goals and measures

The great imbalances in international trade in goods and services still create latent insecurity in the marketplace.

undertaken by various governments and their central banks will be compatible and not invalidate one another. There are good and cogent reasons for the fact that one of the most important functions of the IMF is to prevent confrontations in economic policy that are deleterious to all parties. Article I of the IMF Agreement states that one of the Fund's goals is "to encourage international cooperation in monetary policy through a permanent institution that will serve as an instrument for consultation and cooperation in international monetary problems."

We must utilize the opportunities presented by the IMF to avoid gambling away the gains that a stable global monetary system has afforded all parties in the form of free world trade. A fundamental, mutual assessment of the measures that must be adopted by some countries has often strengthened the backs of national leaders in cases where painful but nevertheless urgently required adjustments have had to be introduced.

The 42nd meeting of the Board of Governors of the World Bank and the International Monetary Fund in Washington, DC in 1987. In the photo, German Minister of Finance Dr. Gerhard Stoltenberg (left) with the Argentine Minister of Economics.

Cooperative efforts can be supported by so-called *objective indicators.* Clearly, it is preferable to judge and act on the basis of facts and not suppositions, and that reasoning represents the basic utility of this concept. To be sure, no government or central bank is likely to accept quasi-automatic policy directives resulting from a change in certain statistics: this applies most especially to the recently proposed commodities price index. An early indicator of this type for trends in prices is certainly extremely valuable for analysts, particularly for a country like the Federal Republic that is poor in energy and raw materials. However, movements in price indices are also liable to point in the wrong direction, as, for example, when prices are distorted by "cartels."

A further precondition for a stabilization of currency fluctuations is a steady, consistent implementation of

Headquarters of the German Bundesbank in Frankfurt/M.

mutually negotiated agreements. The reduction of surpluses and deficits must continue to be pursued resolutely. Over the last few months, the figures on the trend in the U.S. balance of trade have been overwhelmingly positive, and they have not failed to have an impact on the value of the dollar. Granted, it should also be noted that a substantial appreciation of the dollar could endanger the process of adjustment. Hence, the management of the exchange rate system will continue to be very important.

Currency Markets and Interest Rates

Under stable currency exchange rates, the interest-rate differential plays a role of decisive importance. Therefore the level of interest rates in Germany could not remain unaffected by any appreciation of the dollar. The substantial capital transfers from Germany in the first half of this year sent a clear message: net overall capital exports in the first six months of 1988 amounted to a new record of over DM 50 billion.

A further precondition for a stabilization of currency fluctuations is a steady, consistent implementation of mutually negotiated agreements.

Changed expectations with respect to currency parities, a strong outflow of capital, rising interest rates abroad, and growth in the Federal Republic's money supply that exceeded the targets have caused the Bundesbank to raise the discount and Lombard rates as well as the rates for transactions in pension bonds. The interest rate curve has become less steep in the past few weeks, which has brought about some relief in our external accounts as well as in inflationary expectations.

At the same time, there is no reason to fear that growth will be endangered by monetary policy in view of an interest-rate level in the Federal Republic that is still low—at least in the long-term perspective. For 1989, the OECD is forecasting growth of 2 percent in the Federal Republic that, while not exactly robust, is still quite considerable in view of the slight decline in the population. Indeed, the Ministry of Economics in Bonn and Munich's Ifo Institute for Economic Research both think that 2.5 percent is more likely.

The growth figures for the second quarter of the year, following on the heels of strong expansion in the first three months, also served to demonstrate that the German economy is not going to show weak growth, as many observers had predicted until fairly recently. On the contrary, all forecasts for 1988 have been revised upward. A sixth successive year of healthy growth is some cause for satisfaction.

Moving Forward

Nevertheless, there is no reason for complacency. Conditions on the supply side need to be improved. Increased attention to microeconomic issues in all arenas

International cooperation and consultation were reflected in the meeting of the heads of state and government of the seven leading Western industrialized nations at the "World Economic Summit" in Toronto in June 1988.

of international cooperation is justified, even with regard to the Federal Republic of Germany.

We must do everything we can to encourage dynamism in the German economy. Structural obstacles to competition must be eliminated and reforms now underway should be continued. Rigidities, whether in the labor market or in areas that have hitherto been relegated to the province of the central government—without rational justification but due solely to tradition—have to be done away with: hard competition is the best means of limiting latitude in the marketplace for passing on price increases. Insofar as this can be accomplished, an economy purged of structural encrustations also contributes to the preservation of monetary value.

The outlook for growth around the world for this year and 1989 has continued to improve, with robust capital investment in all of the G-7 countries, a particularly encouraging sign. The increase in its discount rate a few weeks ago has again demonstrated that the U.S. Federal Reserve also accords high priority to heading off inflation. And this, in the long run, is also the best policy for fostering economic growth and a high level of employment. ■

This article dated September 24, 1988.

Überblick

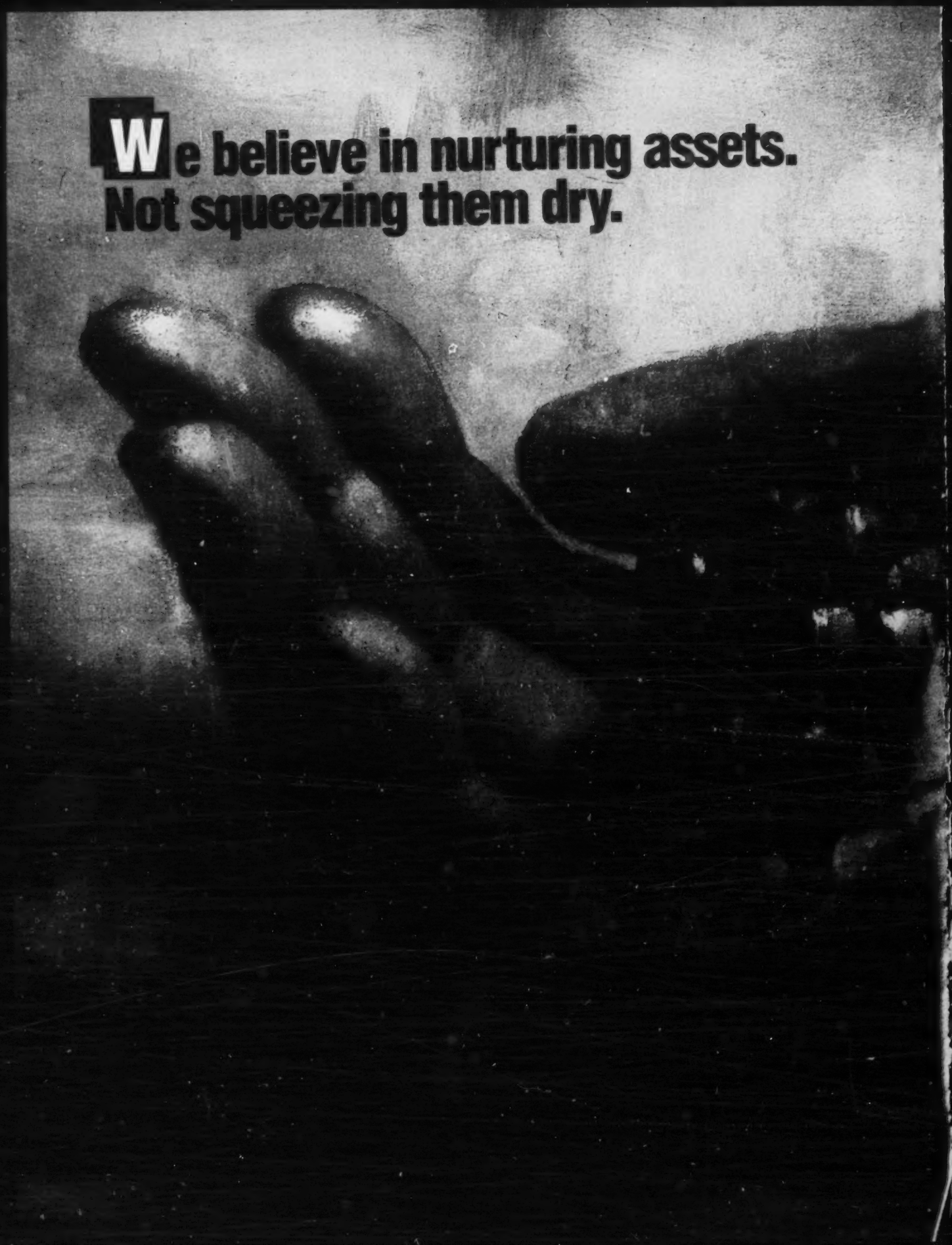
Internationale Kooperation als permanenter Prozeß

Als Ende September letzen Jahres die Finanzminister und Notenbankgouverneure der sieben führenden Industrienationen anlässich der IWF/Weltbank-Tagung zusammentrafen, befand sich der Kurs der amerikanischen Währung nur wenig unterhalb des Niveaus, wie wir es heute haben. Aber in der Zwischenzeit war der US-Dollar zum Jahresende auf einen absoluten Tiefstand gegenüber der D-Mark gefallen und ist seitdem an den Divisenmärkten zeitweise mehr als ein Fünftel höher bewertet worden. Die Kursschwankungen haben weder nach Haüfigkeit noch nach Größenordnung abgenommen. Dies ist bedauerlich, aber letztlich nur schrittweise zu ändern.

Eine der wichtigsten Voraussetzungen ist das fortgesetzte Bemühen, die internationale Kooperation voranzutreiben und als einen permanenten Prozeß zu verstehen, der stets neuer Anstöße bedarf. Nur dies kann dafür sorgen, daß Ziele und Maßnahmen der verschiedenen Regierungen und Notenbanken miteinander kompatibel sind und sich nicht gegenseitig aufheben.

Eine weitere Voraussetzung für eine Verstetigung der Wechselkursentwicklung liegt in der konsequenten Implementierung der gemeinsam vereinbarten und für richtig befundenen Entscheidungen. Der Abbau der Überschüsse und Defizite im internationalen Handel muß weiterhin zielstrebig angesteuert werden.

Die Angebotsbedingungen sind weiter zu verbessern. Die verstärkte Konzentration auf *microeconomic issues* auf den Agenden der internationalen Kooperation ist gerade auch in bezug auf die Bundesrepublik berechtigt. Wir müssen alles tun, um die Dynamik der deutschen Wirtschaft zu fördern. Die Wachstumsaussichten der Weltwirtschaft für dieses und das nächste Jahr haben sich weiter gebessert, besonders ermutigend ist die kräftige Investitionstätigkeit in allen G-7-Ländern. Die Diskonterhöhung vor einigen Wochen hat erneut bekräftigt, daß auch die amerikanische Notenbank der Verhinderung inflationärer Tendenzen hohe Priorität einraümt. Das ist auf lange Sicht auch die beste Politik zur Sicherung wirtschaftlichen Wachstums und eines hohen Beschäftigungsstandes. ❑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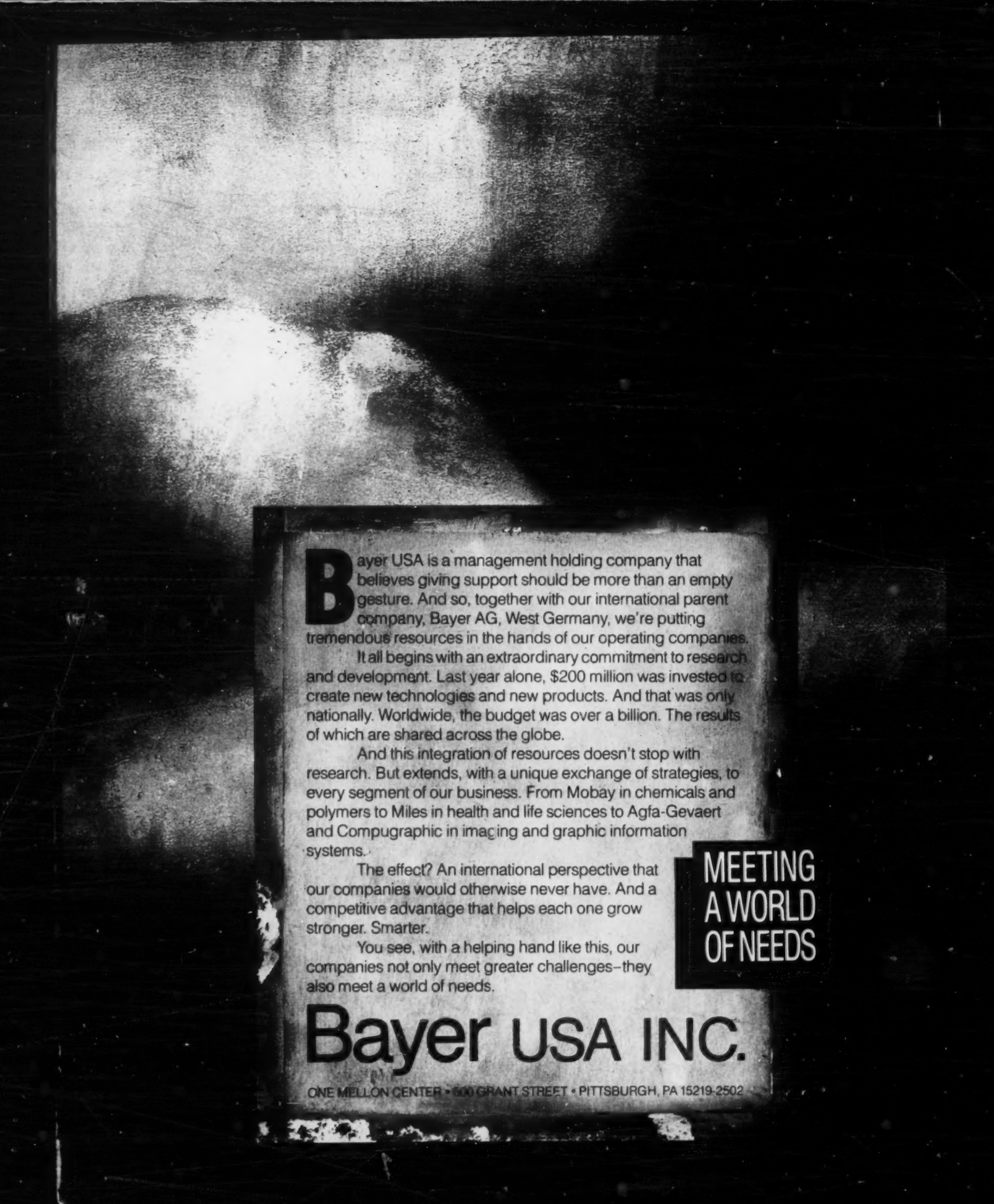

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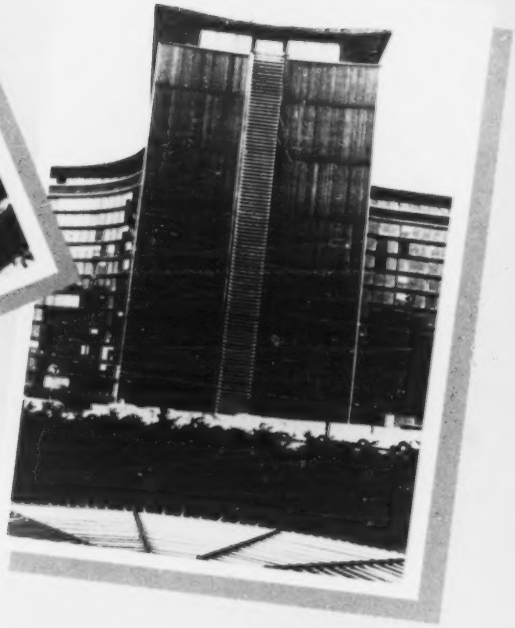

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Die deutsch-amerikenischen Wirtschaftsbeziehungen in den neunziger Jahren

German-American Economic Relations in the Nineties

Dr. Juergen Ruhfus
Ambassador of the Federal Republic of Germany,
Washington, DC

The title of this article is somewhat ambitious. . .at least for an ambassador. It is the trademark of a good diplomat to leave public speculation and predictions about the more distant future to others, to political science professors, to economists and, of course, to politicians. Thus, in sharing my ideas with you I intend to base myself on trends as they already exist or are discernible today, build on them and try to avoid unfounded speculation. In other words, I shall resist the temptation of letting my power of imagination gain the upper hand.

Looking at the future of German-American economic relations, it is not difficult to predict that they will become even more important. This has not only to do with the fact that the Federal Republic of Germany is a regional economic power in Europe, which entails advantages as well as responsibilities. Even more important, economics are today becoming as much a factor in international relations and strategic thinking as military and other political considerations.

To put it more concretely: NATO will continue to play a vital role for the maintenance of freedom and peace, but our military alliance will be only one—albeit extremely important—element in our overall relationship. Our cooperation in the "G7", in GATT, in IMF, World Bank, etc. will also be very significant—equally from the well-understood security point of view. And while the NATO

. . .economics are today becoming as much a factor in international relations and strategic thinking as military and other political considerations

Alliance is not necessarily likely to be weakened because of a perceived reduction of the Soviet threat, its cohesion could be loosened by trade disputes among its members. Under the impact of budget deficits and of trade imbalances, there are tendencies for more aggressive economic policies even towards allies. This is dangerous because economic nationalism and narrow mercantilism can become a contagious disease.

Encouraging Free and Open Trade

The new U.S. Trade Bill is a case in point. The risk is that it will find imitators elsewhere, that trading partners of the United States could resort to similar policies, that the multilateral GATT system will be further eroded and the success of the Uruguay Round endangered—these risks cannot be denied.

It will be even more important that after November this year the U.S. Government, whatever its name is going to be, and the Allied Governments will act together to

revitalize the multilateral GATT Trading System. We have to redirect all our energies towards the Uruguay Round. We need to extend the scope of the GATT system and to strengthen its procedures. GATT has to cover new areas like trade in services, agricultural produce, trade-related investment and the protection of intellectual property. And we must make its institutions more effective by tightening its dispute-settlement provisions, by limiting the scope of escape clauses for import relief, etc.

The growing support in the United States for so-called "Fair Trade", for bilateral arrangements, for unilateral

GATT has to cover new areas like trade in services, agricultural produce, trade-related investment and the protection of intellectual property.

investigations of and actions against trade practices of third countries is understandable in view of the magnitude of the U.S. deficits, but I would deem it ineffective and probably even counterproductive from the point of view of U.S. exporters, of international trade, as well as of the Western Alliance.

You can count on a constructive attitude on the part of the Federal Republic of Germany.

I take heart in the fact that the U.S. Trade Bill, for example, has definitely improved from its original version in the course of the legislative process. It now contains positive elements as well, like the fast-track negotiating authority for the Uruguay Round, which we consider important. Also, economic cooperation and coordination among the "G7" has been quite successful over the last few years.

It is due to these coordinated efforts that adjustments

Interior view of the International Monetary Fund building.

are taking place. The trade figures for September were a good case in point. United States' trade partners note with satisfaction that the twin U.S. deficits are slowly coming down—not yet far enough, but the negative trend has been reversed. Japan has dismantled some trade barriers and it has been successful in stimulating domestic demand. We are willing to do our part. In the Federal Republic of Germany things are looking rather promising now. For 1988 we expect a growth rate in our GNP of at least 3 percent, based primarily on strong domestic demand (+ 4.6 percent), something our American friends are particularly interested in because it means a continuing increase in our imports. During the first half of 1988, the nominal U.S. trade deficit with West Germany dropped by about 20 percent. This reduction is primarily due to our growing imports from the U.S. At home my government is determined to pursue its policy of tax cuts, deregulation and privatization.

The EC as a whole has taken some first positive steps on agricultural reform. In particular, the Community put a lid on surplus production of grain, oil seeds and dairy products, and reduced price supports. Politically these were painful and courageous first steps, even if our American friends think that we could have done better—and faster. Americans continue to ask for the abolishment of all agricultural subsidies between now and the year 2000, while at the same time increasing their own, for instance under the Export Enhancement Program. But maybe when the elections are over, we will all become more pragmatic, more realistic, and will move gradually towards an agricultural support system "decoupled" from production and thus less likely to lead to overproduction and disturbances in the world markets.

One of the main reasons for the relative success of international economic cooperation among the "G7" since 1985 has been the growing realization that our economies are all interdependent in a world of massive capital flows, of exchange rate fluctuations and current account imbalances. It is this interdependence that for the future limits all temptations of *going it alone*, of looking inward. This applies to Europe, to Japan and the newly industrialized countries as well as the United States.

As I have already noted, in the Nineties the U.S. will remain the strongest and leading economic power in the

The perception that the partners of the U.S. enjoy some kind of "free ride" in our view does not correspond to reality.

world. In our emerging multipolar world, however, the preponderance of the U.S. will be a little less evident than in the post-World War II period. I am confident that the United States will continue to cooperate more closely with Japan, with the European Community, with Canada, the newly industrialized countries and, depending on the results of the ongoing reforms in these countries, with China and the USSR.

There is much talk about *burden-sharing*. The perception that the partners of the U.S. enjoy some kind of *free ride* in our view does not correspond to reality. It

underestimates the contributions which my country makes towards the Alliance, towards other European partners and towards third world countries.

Towards a Single European Market

We Europeans are learning from the challenges of the global economy, from the emergence of new economic powers—in particular in Asia—from the example of the huge North American market, including the U.S.-Canada Free Trade Agreement, and from the positive results flowing from deregulation and the abolishment of barriers to trade and capital flows. We also had to draw conclusions from the depreciation of the dollar and the way the United States handled its fiscal policies. The realization that as individual nations we Europeans are no longer able to make an adequate contribution to the world economy nor able to defend our economic and other interests, and that accordingly our resources needed to be pooled and a single, unified European market be established—this necessity has finally been accepted by most Europeans, in particular by industrialists.

Accordingly, our political leaders decided to create by the end of 1992 the single European market with more than 320 million consumers, and it gives me pride and satisfaction that, as head of the German delegation in Brussels during the negotiations on the new Single European Act, I was able to help achieve progress. Under the German EC Presidency during the first half of this year, decisive progress was made in dismantling internal barriers. The movement towards the single European market has thus become irreversible—regardless of whether the target date of 1992 can and will be fully met in all sectors.

The movement towards the single European market has thus become irreversible. . .

After the progress already made, in particular with regard to the liberalization of capital flows within the Community, significant barriers—for instance with regard to public procurement and such complex issues as the harmonization of industrial standards and of indirect taxes—remain to be tackled. In particular, the proposed harmonization of indirect taxes and a Monetary Union, including the creation of a European Central Bank, has met with enthusiastic support. My prediction—not speculation—is, however, that all these initiatives will materialize, some of the more difficult ones possibly not before 1992. There will still be a lot of debate among Europeans, but in the end the necessities of economic interdependence and the political will to master our future jointly will prevail.

It will be important that we all prepare well for these opportunities. American corporations could do so by increasing their investment in Europe now so that they will be ready when the whole big European market will be at their disposal. It will be important that the European internal market does not close itself, that it not become a kind of *Fortress Europe*. As a country depending on international trade, Germany is particularly interested in keeping Europe open to free trade with third countries, in particular with the United States. We see the danger to international trade from growing economic nationalism and unilateralism, from sectoral or bilateral arrangements fragmenting the multilateral trading system.

Berlaymont House, headquarters of the European Community in Brussels.

During our EC Presidency we gained the commitment of our EC partners that in establishing the Internal Market the GATT rules will be observed. As we all know, however, that does not yet cover all sectors of trade, in particular not services and agriculture. With regard to these sectors, some European representatives are talking about applying the rule of *reciprocity*. Apparently, the message of the Omnibus Trade Act has been received on the other side of the Atlantic Ocean in a way not quite imagined by its promoters.

In order to control the risks, it will now become even more important to promote in the Uruguay Round the extension of the scope of GATT. At the same time, it will be important that the application of the provisions of the Omnibus Trade Act, as indicated by representatives of the Administration, will be handled with circumspection and care. More than ever, American and German exporters and importers are in the same boat, and my government will seek to cooperate closely with the new Administration on this important issue.

Fortunately, the Uruguay Round negotiations will parallel the movement towards Europe 1992. We have, therefore, a real chance of uniting Europe as well as keeping the world's trading system open. The future external position of a unified Europe will, however, not only be determined by the Europeans themselves but also by the attitude of its major trading partners. Let us join hands in order to make the multilateral free trading system of GATT as well as the Single European Market and the North American market of the Nineties sources of strength for the Alliance and the global economy! ■

Überblick

Die deutsch-amerikanischen Wirtschaftsbeziehungen in den neunziger Jahren

Es ist keine Frage, daß die Verflechtung der deutsch-amerikanischen Wirtschaftsbeziehungen noch stärker zunehmen wird. Eines der wichtigsten Ziele der Regierung Bush wird es sein, vereint mit den Europäern auf eine Neubelebung des multilateralen GATT-Handelssystems und der Uruguay-Runde hinzuarbeiten. Die Bundesrepublik wird ihren Teil dazu beitragen.

Die jüngsten Anzeichen für eine Reduzierung der amerikanischen Handels- und Haushaltsdefizite sind ermutigend—selbst wenn es sich hier notwendigerweise nur um einen Anfang handelt. Japan hat einige seiner Handelsschranken fallen lassen und erreicht, die Inlandsnachfrage anzukurbeln. Mit einer Wachstumrate unseres BSP von mindestens 3 Prozent in diesem Jahr sieht die Lage der Bundesrepublik ebenfalls vielversprechend aus. Unterstützt wird dieser Aufwärtstrend von den ersten positiven Schritten der EG zu einer Agrarreform. Insbesondere arbeitet die Gemeinschaft auf ein Ende der Überschußproduktionen von Weizen. Ölsamen und Milchprodukten hin, sowie ein Zurückschrauben der Preissubventionen.

Wenn auch in den neunziger Jahren die Stellung der Vereinigten Staaten als stärkste und führende Wirtschaftsmacht ungebrochen sein wird, so heißt das nicht, daß die anderen zurückbleiben. Wir Europäer lernen ständig von den Herausforderungen, die ein Handel auf globaler Ebene uns stellt, von der Entfaltung neuer wirtschaftlich starker Länder, besonders im asiatischen Raum, sowie von dem riesigen nordamerikanischen Binnenmarkt, der uns z.B. durch das US-kanadische Freihandelsabkommen und die positiven Folgen von Deregularisierung und Abbau der Handelsschranken in besonderer Weise herausfordert.

Der Beschluß, bis Ende 1992 einen einzigen europäischen Markt mit über 320 Millionen Verbrauchern zu schaffen, ist nicht zuletzt von diesen Erfahrungen geprägt. Nicht nur die Europäer sollten sich auf dieses Ereignis vorbereiten. Gerade auch für die amerikanische Wirtschaft bedeutet ein europäischer Binnenmarkt ungeahnte neue Investitionschancen.

Die wirtschaftliche Einigung Europas bedeutet aber auch, unseren festen Willen, das bestehende System eines weltoffenen Handels unangetastet zu lassen, erneut zu bekräftigen. Europas zukünftige Position der Welt gegenüber hängt jedoch auch in starkem Maße von seinen ausländischen Handelspartnern ab. Wir sollten alle darauf hin arbeiten, daß das multilaterale freie Handelssystem der GATT, zusammen mit dem nordamerikanischen Markt und dem neugeschaffenen europäischen Markt die Grundlagen eines gut funktionierenden Weltwirtschaftssystems für die neunziger Jahre bilden. ❑

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Left to right: NH 90, Airbus A340, JF-90/EFA, DFS-Kopernikus, MTFF (COLUMBUS), SÄNGER, ARIANE 5 with HERMES, PAH-2.

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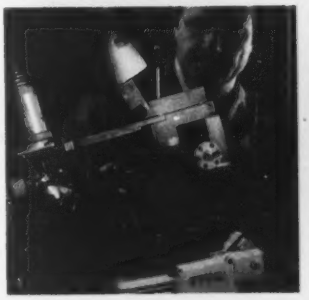

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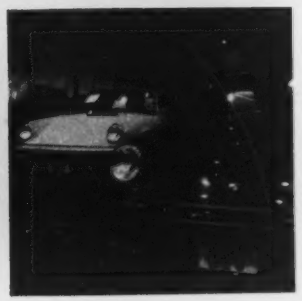

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Die Bundesrepublik-Unternehmerzentrum in einer dynamischen europäischen Gemeinschaft

The Federal Republic of Germany: Launching Pad for Business in the European Community

Dr. Martin Bangemann
Minister of Economics,
Federal Republic of Germany

Twenty years ago Europe was shocked by a book called *The American Challenge* by J.J. Servan-Schreiber. The book—written in 1967—starts with the famous lines "Fifteen years from now it is quite possible that the world's third greatest industrial power, just after the United States and Russia, will not be Europe but American industry in Europe".

This gloomy prediction has not come true and we know today that the Soviet Union is struggling to get back into the match, but Europe is still alive and well.

Unfortunately, in the early Eighties the European Community and even Germany projected to the outside world once again an image of decline and stagnation. Low growth, high unemployment, and financial and agricultural problems seemed to dominate the headlines in the Community. Although the negative elements were exaggerated then, I am not pretending now that all the problems have gone.

But Europe as well as the strongest economy in Europe, the German economy, have regained strength and vitality. The overall technological and economic performance in the European Community compares quite well with the performance in America and Japan. In 1988, the European Community will reach a real growth of 3.5 percent, inflation will remain at a low level (about 3 percent) and the balance on current account will be in surplus. A major problem still is the high rate of unemployment (about 11 percent in Europe, in Germany about 8 percent).

Toward a Unified European Market

When we look further ahead, Europe has good reason to be optimistic (quite frankly, in past years we have tended to underestimate the positive elements). The Member States of the European Community have embarked upon the final step in the historic process of economic integration: the creation of a single market without any internal borders. This is deadly serious and we are working hard to achieve it.

. . . Europe's industry is aware of the enormous potential of the internal market.

It is the initiation of the best growth policy ever invented by politicians: establishing a huge market of over 320 million inhabitants with a domestic product of more than 3.5 trillion dollars. Only the United States has a higher figure, at a little more than 4.4 trillion dollars, while Japan achieves about 2.4 trillion dollars.

A study carried out for the European Commission estimates the cumulative economic advantages from the removal of frontier barriers, the cost advantages of the larger market and more intensive competition at around

250 billion dollars (in 1988 prices). That corresponds to an increase of at least 4 percent in the gross national product. Around 2-5 million new jobs could be created.

A billion dollars or a percentage point one way or the other is relatively insignificant in relationship to the overall amount. The decisive aspect for me is that Europe's industry is aware of the enormous potential of the internal market. In a very few years, at the end of 1992, the world economy will have a new partner to welcome, one whose economic performance and technological creativeness will be in the same league with America and Japan.

The completion of Europe's internal market program covers a broad range of legal and political measures. The main steps are:

- removal of technical barriers;
- enactment of European patent and trade mark laws;
- liberalization of public procurement;
- reorganization and deregulation of telecommunications and transport markets;
- liberalization of capital movements; and last but not least
- harmonization of indirect taxes.

This will lead to a borderless European economy with a tremendous impact on all businesses in Europe.

According to a survey by the Federation of German Chambers of Industry and Commerce at present only 10 percent of German companies are expecting competitive problems from the completion of the single internal market in 1992.

German Business Readies Itself

Whenever I travel outside Europe, I hear doubts from my foreign colleagues as to whether German companies are preparing themselves carefully enough for the internal market, whether they are flexible enough to meet the new competition. Asked why they have this negative impression, they usually refer to the fact that in France, Britain or Italy the public awareness and perception of the new European dimension is much more intense and visible.

. . . only 10 percent of German companies are expecting competitive problems from . . . 1992.

This might be true, but the reason is not a lack of interest or the inability of German companies to take on the European challenge; on the contrary—for German companies the coming internal market is an anticipated economic necessity, and has been a fact of life for many years. I just want to remind you that already more than 50 percent of German exports are sold in the European Community. Let others do the talking—German businessmen have long acted on the basis of a real European market. Let me describe the situation with a line from the famous song by Frank Sinatra which refers to the competitive spirit of New York City. For Germany, the pertinent line would read: "If you can make it there you can make it anywhere".

It may be that Germans sometimes don't project as confident an image as Americans or Japanese do; after the *technology gap* discussion in the early Eighties there is now a debate as to whether Germany is still an industrial site, a profitable location for direct investment. There is concern—both inside Germany and elsewhere—that some conditions such as

- high wages
- high corporate taxes and
- bureaucratic impediments

might impair our competitiveness in the future.

As a politician I welcome this debate. It is a *leading indicator* of potential trouble. Germans are highly sensitive to warning signs signalling danger to their economic wealth and well-being. This is sometimes called *Angst* in the English-speaking world; by that same token, this sensitivity gives us the strength to correct our policy early enough and to start to work hard again to avoid drifting into an economic, fiscal and monetary mess.

In 1982, . . . the Germans enjoyed a self-indulgent debate over a supposed technology gap. If this gap ever existed, it has now vanished.

We corrected our course in 1982 and we will continue to strengthen the attractiveness of Germany as an industrial and commercial site for doing business in the years to come.

As Minister of Economics I have to be very careful boasting about economic success. But let me quote a foreign source, the British daily *The Guardian*. The usually well-informed paper asked in the issue of September 28, 1988 in a headline "What happened to the miracle?" referring to the fatherland of invention, and stated:

> "Reports of the death of West Germany's economic miracle are not only misplaced; they are also extremely misleading. In fact the original post-war miracle ended nearly 30 years ago, in 1960 . . . By the early Sixties, the economy had settled on to a more conventional path."

I may add the Germans have become quite normal and this is not the worst thing that could happen to them. *The Guardian* continues, describing the state of the German economy of today:

> "Indeed, in the field of technology, training and trade it would be hard to imagine a country in a stronger position. True, in 1982, after three years of deficits in the wake of the 1979 oil shock, the Germans enjoyed a self-indulgent debate about a supposed technology gap. If this gap ever existed, it has now vanished."

Such judgements by neutral foreign observers will not lull us into complacency. I know quite well that we have to further improve the overall business environment by

Leaders and foreign ministers of the 12 EC member-states at the negotiating table in Brussels.

lowering corporate taxes, deregulating, and increasing flexibility on labor markets. This goes hand in hand with the internal market program as I have described it.

Germany's Business Landscape

Please allow me to elaborate a little on some aspects of doing business in Germany, which may not look very favorable:

First, high labor costs. Every economist knows that labor costs are a relationship between money wages and productivity. Money wages are indeed high in Germany, but so is productivity. The main problem is the indirect labor costs, such as employers' social security contributions.

My Government is working hard to correct this by reforming the pension system as well as the health-care system. But we should not forget that it is precisely the labor factor which makes the Federal Republic a well-suited location for business, since one of its foremost advantages remains its *human capital*.

Its highly efficient apprenticeship system and its soundly-qualified skilled blue- and white-collar workers are valuable assets that are the envy of the country's competitors. They are complemented by broadly-based corporate know-how, a substantial innovation potential, as well as the flexibility and creativity of the many small and medium-sized businesses.

Second, corporate taxation. Of course, a company's choice of a business location is also influenced by corporate taxation. Unfortunately, an international comparison shows that West Germany has high nominal corporate tax rates. But it should be remembered that German accounting rules afford greater leeway than those of most other countries for reducing taxable profits, and the situation will be improved further through the tax reform in 1990. And according to the program of my party this will not be the end of the story.

Let me give you one concrete example: efficient depreciation rules. All of the industrialized world's major banks are more or less involved in the third world debt problem. In fact, there was a time when the balance sheet of the very big banks looked rather shaky. The stability of the international financial system was called into question. In Europe, especially in Germany, the worst risks have been written off. This shows how flexible depreciation rules have contributed to making the debt problem manageable.

Third, union influence and co-determination. I am not known for defending every position unions fight for, but it is fair to recognize that wage increases in recent years have been moderate and co-determination has not prevented structural change in industry.

Social peace, of course, has its price, but we are not going to price ourselves out of the market. I could continue by citing other arguments which—viewed in isolation—may reduce the attractiveness of Germany as a business location. But the pros definitely outweigh the cons. The bottom line shows Germany to be a sound business location. What is required, and I say this not only here but also in the German Parliament—are measures that insure greater market flexibility so as to further strengthen Germany's competitive potential with a view to 1992 and beyond.

A discussion of the Federal Republic of Germany would be incomplete if I did not mention the individual German States, the *Laender,* which are prepared to provide every necessary piece of information about direct investment in the different States.

In geographical terms, my country is small (just about the size of Oregon). Rich diversity nevertheless prevails

Vocational training hones German labor skills.

from the North to the South, from Kiel to Munich, and from West to East. This diversity explains why we in Germany have many metropolitan centers such as Cologne, Frankfurt, Hanover, Stuttgart, Saarbruecken and Mainz, not to mention the large city states of Berlin, Hamburg and Bremen.

The *Laender* are centers that compete among themselves both economically and in a sense even politically in the attempt to offer their citizens the best government. The decentralized structure is a great strength of Germany and it will be an asset to the European Community too.

Europe and Free Trade

In the same year that the French journalist J.J. Servan-Schreiber wrote about the decline of Europe (1967), the well-known American scholar Herman Kahn stated:

> "The European Community, as we can envisage it, should be able to create and maintain an image of a well-functioning multi-lingual, multi-cultural entity which, despite this multiplicity of characteristics, has solved its really crucial problems".

The historian Paul Kennedy is right to point out in his book *The Rise and Fall of the Great Powers* that the Great Powers, like, for example, the Ottoman Empire, have suffered from being built upon a centralized authority that insists upon a uniformity of belief and practice. He states:

> "The lack of any such supreme authority in Europe and the warlike rivalries among its various kingdoms and city-states stimulated a constant search for military improvements, which interacted fruitfully with the newer technological and commercial advances that were also being thrown up in this competitive, entrepreneurial environment,"

Kennedy is not talking about the Community of 1992 but about the Middle Ages. Today it is not the warlike rivalries but economic and technological competition that counts. However, the basic argument for the positive effects of decentralization still seems to be valid.

If it is true that open markets and a borderless, diversified economy promotes competition and growth, then this truth does not end at the external borders of the European internal market. An open foreign trade and investment policy is part of the internal market integration process. The integration of Europe would be jeopardized if the Community tried to compensate for the completion of the internal market by shutting itself off from foreign trade and investment. With its strong integration in the world economy and its dependence on international trade, Europe needs an efficient international division of labor.

. . . wage increases in recent years have been moderate and co-determination has not prevented structural change in industry.

I am quite aware of the fact that our partners in the global economy ask: "Will the EC become a *Fortress Europe*, turning away competitors from abroad that also seek to profit from the internal market's benefits?" Of course there are such tendencies, but I can assure you they will not determine the outcome of the integration process. The history of European integration is ample proof of that.

The establishment and enlargement of the EC at first represented a disturbance in GATT's multilateral system of trade. For a customs union such as the European Economic Community violated the most-favored-nation principle of the GATT system.

What has become of the common external tariffs?

The Kennedy Round and later, after the expansion of the Community, the Tokyo Round, sharply lowered the Community's external tariffs. The EC today boasts one of the world's lowest customs tariffs (5% to 6%).

It is no coincidence that from the very beginning European integration has been accompanied by successful international trade negotiations. Nor is it a coincidence that we are again negotiating on tariff reductions and trade liberalization with GATT, parallel to the enlargement of the Community and the completion of the internal market program.

The Uruguay Round also offers us the possibility of solving the problem of reciprocity now emerging in many discussions on the internal market, especially on issues connected with the service industries. The German Government is strictly against a narrow bilateral concept of reciprocity. This concept seeks to achieve identical privileges on each issue in countries with different market structures and regulatory regimes. We consider national treatment the most effective way to avoid discrimination and preserve free and open markets. I can assure you that my Government will fight for these principles in the EC.

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The Uruguay Round must also improve the framework for the exchange of merchandise and services so that global reciprocity is created and guaranteed. All European countries know that the era of protection is over, that they must become more open in the interest of their own restructuring and modernization. In this context, however, we are also in need of the support of our partners abroad. Every protectionist measure outside the EC strengthens the position of those in the Community who want to reserve the benefits of the internal market for themselves.

Need I stress that a number of provisions in the new U.S. trade bill seriously concern us? Should the aim really be constantly to refine restrictive trade policy instruments, thus expanding the possibilities, multi- and unilateral, of intervening in international trade?

While we are pleased to see that the worst provisions have been taken out, we have regretted very much, and so has the Community, that President Reagan signed the bill in the end. On the other hand, I applaud President Reagan's decision to veto the textile bill, even though it would perhaps have been popular within the context of domestic politics to allow this bill to pass. I am also happy that the Congress did not overturn the President's veto on the textile bill.

The liberalization and expansion of trade must be complemented by free investment flows. We have to maintain the high standard of free capital movement and to secure national treatment of foreign investment. We strongly support the work of the OECD in this area, and are, together with the United States, the leading proponents of a sound international investment climate.

Some people may ask whether this is so important for a country with a huge current account deficit and which is by definition a major capital importer. But this is only half the truth. Who would you think is spending more money on direct investment: foreigners buying American companies or American companies buying foreign firms abroad? Surprisingly, the answer is Americans! In 1987, net U.S. foreign direct investment came to $53 billion, while foreign direct investment in the United States came to *only* $49 billion.

I want to renew our assurance that the Internal Market is not directed against anyone, and to invite the United States to launch a new *American Challenge* to the Europeans on their own turf. As in the Sixties, it could again be American business that understands the idea of the Common Market, joining Europe to exploit its potential.

I urge Americans to study carefully the business conditions and the legal requirements for investment in Europe. If you look at the whole picture, I am confident that in many cases the Federal Republic of Germany with its eleven *Laender* will be a logical choice for U.S. investment.

Four years from now, Americans will celebrate the 500th anniversary of Columbus's discovery of America; we hope Americans don't miss the rediscovery of *Europe 1992*! ■

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Überblick

Die Bundesrepublik—Unternehmerzentrum in einer dynamischen europäischen Gemeinschaft

Anfang der achtziger Jahre standen die wirtschaftlichen Zeichen für die EG schlecht, und die Bundesrepublik bildete dabei keine Ausnahme. Heute hat sich das Blatt gewendet: Europa, und die deutsche Volkswirtschaft insbesondere, hat seine Stärke und Vitalität wiedergewonnen. Technologisch und wirtschaftlich kann sich die Europäische Gemeinschaft durchaus mit den USA und Japan vergleichen, und der letzte Schritt im historischen Prozeß ihrer wirtschaftlichen Integration steht erst bevor: Die Schaffung eines riesigen Binnenmarkets mit über 320 Millionen Einwohnern und einem Sozialprodukt von mehr als 3,5 Billionen Dollar. Ende 1992 wird die Weltwirtschaft mit einem neuen Partner rechnen müssen, der im Bezug auf technologische Innovativität und wirtschaftliche Stärke den USA and Japan ebenbürtig sein wird.

Deutschlands Rolle in diesem Binnenmarkt ist nicht zu unterschätzen. Wenn auch die hohen Lohnkosten—verursacht hauptsächlich durch die indirekten Lohnkosten, wie hohe Sozialabgaben—eine Geschäftstätigkeit in der Bundesrepublik scheinbar erschweren, so sollte nicht übersehen werden, daß gerade diese gut ausgebildeten Arbeitskräfte der große Vorteil dieses Landes sind.

Der zweite Kostenfaktor, die Besteuerung von Unternehmen, scheint ebenfalls auf den ersten Blick ein Nachteil zu sein. Zwar sind die im internationalen Vergleich hohen nominalen Körperschaftssteuern der Bundesrepublik nicht wegzuleugnen, doch ist dem auch entgegenzuhalten, daß die deutschen Bilanzrichtlinien weitaus größeren Spielraum für eine Reduzierung der zu versteuernden Unternehmensgewinne lassen und sich diese Sachlage nach der für 1990 geplanten Steuerreform noch verbessert.

Der dritte Faktor schließlich, der Einfluß der Gewerkschaften und die Mitbestimmung, sollten ebenfalls leidenschaftslos betrachtet werden: Man kann nicht umhin zugeben, daß die Lohnerhöhungen der letzten Jahre mäßig waren und die Mitbestimmung strukturellen Änderungen gewisser Industriezweige keinen Stein in den Weg gelegt hat.

Die Bundesrepublik ist und bleibt ein vorteilhafter Standort für Geschäftstätigkeit. Sichergestellt werden muß lediglich, daß der Markt ausreichend flexibel bleibt, um die Wettbewerbsfähigkeit des Landes auch und gerade nach 1992 zu stärken.

Der europäische Binnenmarkt wird nicht geschaffen, um irgendwelche Handelspartner auszuschließen. Im Gegenteil: Die amerikanische Wirtschaft sollte es als Einladung und Herausforderung betrachten, ähnlich wie in den sechziger Jahren Europa zum Schauplatz ihrer Investitionen zu machen und mit Europa vereint das Potential dieses Kontinents zu nutzen. Die Bundesrepublik ist nicht nur geographisch der Mittelpunkt dieses Geschehens: Nach Prüfung aller ökonomischen und rechtlichen Aspekte ist sie der logische Standort für erfolgreiche Investitionen. ❑

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Neue Strategien und Perspektiven im Bankwesen bis zum Jahr 2000

New Strategies and Perspectives in Banking by the Year 2000

Dr. Walter Seipp
Chairman of the Board of Managing Directors,
Commerzbank AG,
Frankfurt/Main

Never before have banks been subjected to such a transformation as in the past decade. However, there is probably consensus within the banking community that the next decade will also produce major upheavals. Any remarks on new strategies and perspectives in banking by the year 2000 are nonetheless very much like an attempt to indulge in crystal ball gazing.

This is all the more so since changes in the business sector and in society as a whole affect banks much more than other enterprises. After all, the banking industry is closely bound up with all other sectors of the economy through both its lending and its funding activities. What is more, this is true at the national and the international levels.

Not only market conditions but also the overall setting are constantly changing. And these influence the activities of the banks in a highly comp ex way. Perhaps I could give you some idea of the broad spectrum that is involved here by mentioning just a few concepts such as world trade, a world currency, demographic trends and legislation. But please don't be alarmed. If I were to follow up

. . .changes in the business sector and in society as a whole affect banks much more than other enterprises.

each of these environmental factors in any detail, tracing their influence on banking and then assessing the possible response of bank policy to them, it would probably turn into a never-ending story. Instead of that, I should like to restrict myself to a few problem complexes which I consider essential and which have a direct bearing on future developments.

Global Banking

Let me start with one of the key words of the past decade: globalization. This concept implies more than just the intention to set up a branch or a representative office in some part of the world. Rather, it means that the financial markets, with their fetters removed, are made to work for our customers right around the world and also right around the clock. Quite apart from the ever stronger trend towards globalization, another phenomenon has emerged over the past few years under the name of securitization—namely, the raising of funds in the form of marketable securities rather than by means of traditional syndicated loans

Since the stock market crash in October 1987, however, we have experienced a renaissance of traditional lending activity. Our customers are now showing greater interest again in a solid and lasting relationship with their bank.

As the term itself suggests, this strengthens relationship banking at the expense of transaction banking, which tends to be typical of the investment banking domain.

I believe that commercial banking can now look forward to a promising future again throughout the world. And it is not a contradiction if I add that, in my opinion, investment banking will retain the significance that it has rapidly gained over the past few years. Quite certainly, we cannot put the clock back here. In the space of just a few years, the character of modern banking has changed more than it had previously in the course of several decades.

The driving force behind such a transformation is provided by underlying economic and financial conditions, which are changing ever more quickly and radically. The movements of interest rates, exchange rates and share prices as the process of deregulation is implemented are the main factors which suggest that commercial and investment banking will have roughly equal weight in the future as well.

Naturally, there can easily be fluctuations between credit-based financing, on the one hand, and securities-based financing, on the other. In other words, the globalization of banking, which primarily affected investment banking in the first half of the Eighties, will be maintained in the future, but it will extend to commerical banking as well.

Since the market crash in October 1987 . . . we have experienced a renaissance of traditional lending activity.

Right from the outset, Commerzbank, which was fairly quick to establish a presence for itself abroad by means of individual bases, set great store in globalization. As West Germany's private-sector commercial banks have traditionally pursued a *universal*—or all-purpose—banking approach, it has not been difficult for them to step up their global banking activities.

Today, my bank has an international organization, which—thanks to its comprehensive and closely-knit network of outlets—is in a position to realize the opportunities offered by the various time zones and the electronic channels of distribution. This represents a *conditio sine qua non* for international business. I personally believe that globalization will continue, through perhaps at a less spectacular tempo as far as innovations and the penetration of new markets are concerned.

Yet, if only because of the persistent though somewhat weaker trend towards securitization and the diversification of assets, international securities holdings and trading activities will keep on expanding. While the revenues from the sale of oil are still an important factor, U.S. pension funds and Japanese institutional investors in particular have recently been playing a more prominent role in this respect.

The complaint is often voiced that the financial innovations developed in connection with global banking are only suitable instruments for banks and large-scale institutional investors; smaller businesses, above all, are said to have been neglected.

Actually, precisely the opposite is true. The modern instruments and techniques that are available today have been refined to such a degree that they can now be used by smaller firms as well. In view of the uncertainties surrounding interest and exchange-rate trends, and given the large number of companies which have so far been rather wary about using the more recent funding instruments and hedging devices, I expect to see West German firms avail themselves more readily of the opportunities which these instruments offer in the near future.

At all events, foreign-currency options, interest-rate caps and futures, and above all, swaps are to be found among the standard products which my bank offers small to medium-sized businesses. What is more, for some time now, we have registered quite brisk demand for them on the part of such customers.

International Debt

The international debt problems continue to weigh heavily on the world's financial markets. The annual meetings of the World Bank and IMF, held recently in West Berlin, provided no radically new insights in this respect. Quite the contary, in fact, it became evident that there is no realistic alternative to the course that is already being followed. Nonetheless, some confusion was created before the meetings, and on the sidelines while they were in progress, by renewed demands for either complete, or at least partial, debt forgiveness. This discussion, while unnecessary, of course, did in fact lead to two central points becoming very clear once again—even for the broader general public.

Firstly, debt forgiveness—either complete or partial—is not a viable option. Secondly, the West German banks—in a display of solidarity with the international banking community—are adhering to the basic approach that has stood them in good stead up to now and is ultimately the only one that is likely to succeed.

We should not overlook the fact that the enormous need for capital on the part of the less developed and newly industrialized countries can only be met in the long run if these states either remain creditworthy or their creditworthiness can be restored. The prime goal must be to restore the creditworthiness of the rescheduling countries so as to ensure that they can finance their economic future.

I am convinced that debt forgiveness would be an admission that these efforts had come to nothing. After realizing their losses, the creditors involved would presumably no longer be willing to take on such risks again. It would prove a fatal strategy for the debtor country. Not only would the latter lose its creditworthiness; it would also isolate itself from the world trade system. The country in question would become insolvent and the inflow of capital from abroad would come to an abrupt end. It would be cut off from the international flows of funds for years to come. In addition, there would be cause to fear that the negative experience gained with some countries would unfortunately be projected to others that are still creditworthy at the moment and are

able to take up credits. The solution of the debt issue today is closely connected with lending tomorrow.

Let me add a marginal note here. Often, we as banks are told that we have already forgiven private companies their debts, e.g., AEG. Why, then, can't we do the same for the less developed countries? I believe that the answer is clear. In the case of firms which are threatened with bankruptcy yet can be rescued, we can exert an influence over the composition of the management board. In this way, we can infuse the firm with fresh motivation, and generate new ideas and initiative for saving it. It is not valid, therefore, to draw a comparison between the debtor countries and private companies. Through debt forgiveness, we cannot alter the corruption, mismanagement or simply the wrong choice of economic policy in the countries in question.

I believe that we have no reason to make the debt crisis more dramatic than it really is. We must continue along the stony path of long-term rescheduling, coupled with the—for the time being, involuntary—provision of new loans. In this connection, it would be good to see the menu of options made as broad as possible, so that the largest number of banks will be able to go on participating in the rescheduling process.

One practicable possibility is debt/equity swaps. These represent the transformation of claims on borrowers into equity holdings, for instance, in factories, hotels, plantations, raw material resources or similar objects in Third World countries. This instrument permits rescheduling countries to repay part of their external debt in their own national currency. Up to now, we at Commerzbank have arranged such debt/equity swaps for others. But in one case, we want for the first time to use this instrument in order to take up a direct stake in a bank in Latin America.

We should not overlook the fact that the enormous need for capital on the part of the less developed and newly industrialized countries can only be met in the long run if these states either remain creditworthy or their creditworthiness can be restored.

Generally speaking, though, other possibilities within the menu approach can also be explored, on a case-by-case basis, which are in line with market principles and take into consideration the specific situation of the countries involved and their economic policy. I would consider *exit bonds* or debt repurchase agreements helpful in this connection. Exit bonds, however, should be used to no more than a limited extent so that not too many banks—and especially the larger ones—discard the responsibility they bear for the future of the debtor countries.

The next step must be to find solutions which cover longer periods of time. In this way, we might be able to prevent fresh uncertainties from emerging every year and sometimes even the availability of commercial credit lines becoming jeopardized.

For loan agreements in the future, for instance, it would be worth investigating whether new credits should not be made available over a longer period of time, rather than being granted for immediate use. The funds provided could then be drawn upon if the country found itself acutely in need of financing. I am aware how difficult it would be to organize a reserve of this kind. Yet I believe that there should be sufficient good will on the part of debtors and creditors alike to enable us to realize pragmatic solutions here.

Commerzbank in New York City, part of the global network of the Commerzbank Group.

At all events, let me repeat that the debt crisis should not be dramatized unnecessarily. Since it came to a head in 1982, notable progress has been made. For this reason, the emphasis must generally remain on implementing a strategy of cooperation. The key problem of indebtedness is not primarily the repayment of debts; rather, the crucial point is to ensure that adequate interest is paid. For this to be possible, the problem countries have to become efficiently functioning economies again. The efforts of the countries in question to achieve this goal, e.g., through structural adjustment or by reinforcing the confidence of domestic and foreign investors, are just as necessary as action by the industrial nations to make sure that their markets are opened up, or to hold interest rates steady and sustain economic growth in the longer term. We as banks have not abandoned the hope that we will be repaid. Moreover, this is underlined by the fact that we have not completely written off the claims we hold; we have merely created loan loss provisions for the time being. In the last analysis, though, we have to bear in mind that the less developed and newly industrialized countries are by definition states that import rather than export capital.

However, I am not overlooking the fact that, despite all the efforts, some especially disadvantaged countries will not in the end find their way back to the market. Instead, they will remain dependent on the charity of the rich nations—in other words, they will require development

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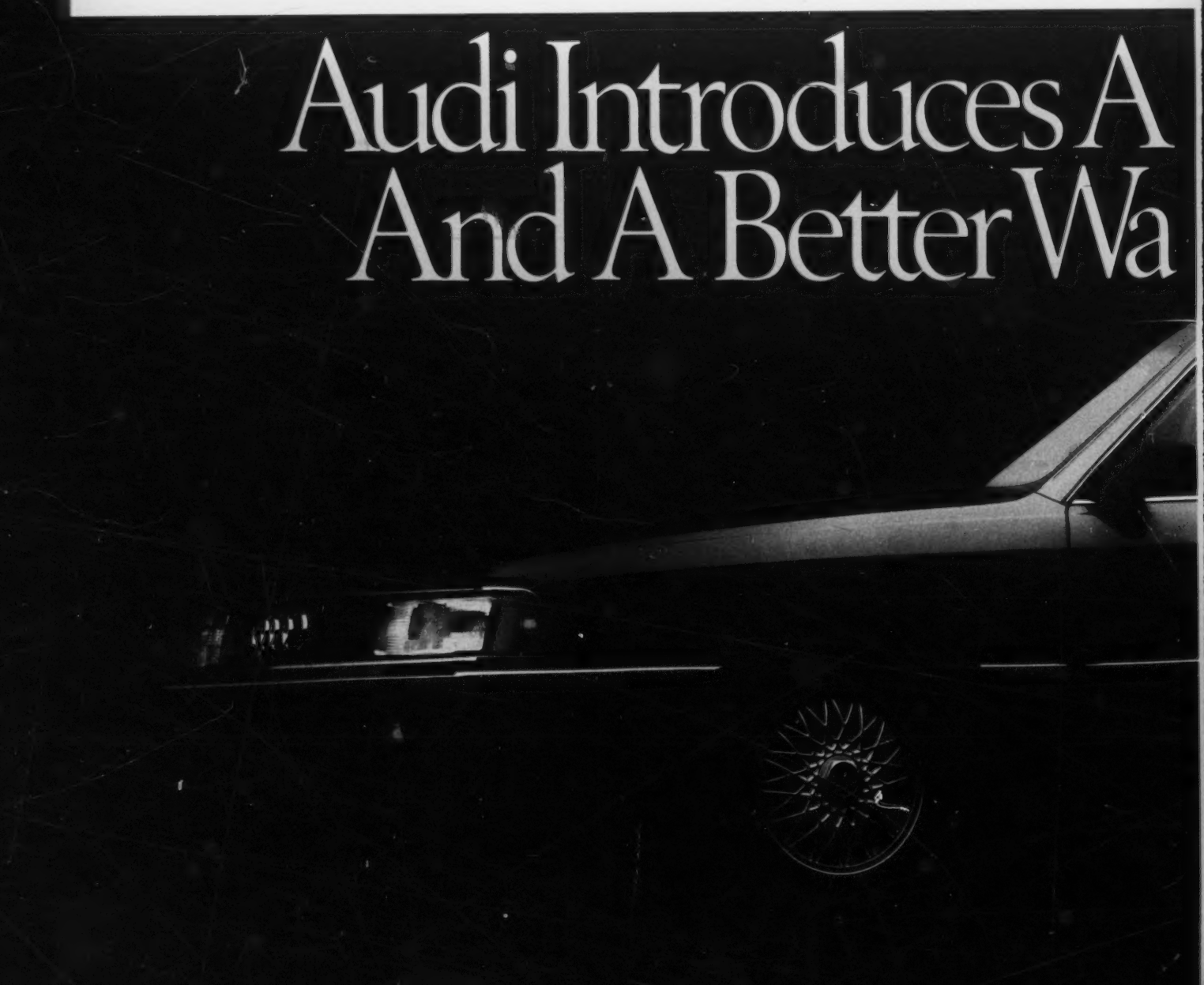

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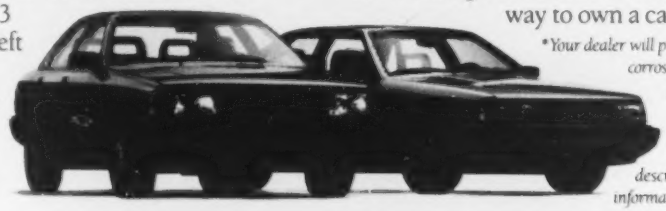

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aid. But we must all work together to prevent a misleading public debate and adoption of the wrong policies—no matter whether on the debtors' or the creditors' side—from pushing countries into this category who do not belong there. In this connection, I am thinking of the major Latin American debtors in particular.

Europe After 1992

1992 presents the banks with a further challenge. The environment in which we operate within the European Community (EC) will be transformed once capital transactions are liberalized as planned, banks are allowed to set up shop anywhere they choose, and financial services can be offered throughout the entire EC.

It is impossible to say in general terms how banks will adapt their strategy to meet these challenges. Here individual strategic approaches, and not least of all the resources at a bank's disposal, will prove crucial.

Every bank must decide for itself in which markets and in which EC member states it might be worthwhile to increase its presence. Similarly, each bank must establish how it can explore new markets, what organizational form is best suited to going European, and to what extent it has the means to pursue this target.

However, nobody has yet come up with a definitive concept here. All of Western Europe's major banks are intensively working out their own approach to the issue at the moment. For me, the topic of Europe after 1992 means first and foremost an enlargement of our home market. Generally speaking, the major West German banks have gained valuable experience through both global banking and the challenge of international competition. In my opinion, this gives them a good basis for successfully participating in the future European market for banking services.

In our planning, we assume that such participation must be smoothly integrated into our worldwide strategy. Otherwise, there would be the danger that, by stepping up our European activities, we would no longer be in a position to seize the opportunities for expansion in other parts of the world. As an internationally active institution, we certainly do not want to restrict ourselves to the status of being no more than a European bank.

As far as European business is concerned, quite different strategies will have to be adopted for the various segments. We already offer investment banking on a Europe-wide basis; moreover, we do so rather successfully—and not only in Europe. For wholesale banking, which is the first area in which keener competition can now be expected to develop, the same holds true. Here we already have a solid international position.

. . . each bank must establish how it can explore new markets, what organizational form is best suited to "going European", and to what extent it has the means to pursue this target.

Last but not least, in retail banking we would have sooner or later been confronted with the need to decide how and where we should build up a stronger European presence.

Which brings me to the real core problem of our future strategy for Europe: are we to buy financial institutions in other countries, or should be seek to cooperate with them? At Commerzbank, we have opted for a strategy of cooperation. Our decision has been prompted, for one thing, by tradition—we can now look back on more than a decade of cooperation within the Europartners Group. But it was, above all, business-policy considerations which persuaded us that this was the right course for us. Through cooperation, after all, we are able to use existing nationwide branch networks in other European countries without having to commit a lot of capital in order to do so.

It is not necessary to establish mutual cross-shareholdings before cooperation is intensified, yet these can prove to be useful. In addition, they serve as a protection against hostile takeover bids. Back in 1984, Commerzbank took a step in this direction by acquiring a 10% interest in the equity capital of the major Spanish bank, Banco Hispano Americano. We believe that the cooperation model which we favor will ensure a more rational employment of the available capital. The joint financial muscle of the partner banks might, therefore, be greater than the sum of the individual parts.

I see the advantages of such cooperation agreements principally in the fact that partners can tap each other's existing know-how and human resources. Differences of emphasis in business activities, or in the banks' regional specialization—or in national mentality, for that matter—can in fact complement each other and therefore prove to be an advantage. But I do not want to create a mood of euphoria. As far as the practical results of cooperation are concerned, we are probably still in the early stages. We need to think very carefully about the products which we could offer on a joint basis in the future. In my view, it is only once such European products have established themselves in the market that the Europe-wide market in banking services will truly become reality.

All-Inclusive Financial Services

In the meantime, the trend towards all-inclusive financial service packages has developed into a topic that can be compared to the debate on the pros and cons of universal banks versus the dual system of commercial and investment banking. Both issues are of great relevance for the future and determine the shape of new business strategies. Although we are still on the verge of major breakthroughs today, the phase of the outsiders and experiments is clearly coming to an end.

This is inevitable as fresh examples of institutions providing all-round financial services are springing up on all sides. Several banks, insurance firms and home loan associations have already taken the initiative. In doing so, they have set yardsticks for—and perhaps even brought pressure to bear on—the majority of banks that have up to now adhered to the traditional division of labor in the financial services industry. As a result, we find home loan

associations, whose traditional market has been shrinking for some time, moving in the direction of the universal bank by attempting to broaden the basket of financial services which they offer.

The life insurance companies are steadily increasing their share of monetary asset-formation. By acquiring interests in banks or through cooperation agreements, they are forming large financial concerns, offering a wide range of services that directly compete with those marketed by the banks.

Today, there is no such thing as a clearly defined market for bank products and services. Rather, banks are now active in areas which were previously not typical of them. At the same time, non-banks in the financial services sector are offering individual bank products as well. In addition, completely new competition is emerging from the non-financial sector; namely, from department stores, retail chains and mail order houses.

The public debate on all-inclusive financial services frequently overlooks the fact that the actual root problem is not so much the competition between products as that between sales outlets. Admittedly, the products do still differ to some extent, but not as regards their general targets. In other words, despite certain discrepancies in detail, investment or funding instruments do not radically differ in their overall effect. The variations that occur relate to risks, maturities, interest or repayment terms and tax aspects. Quite frequently, acceptable alternatives are offered to consumers which the latter will select to coincide with their personal preferences and individual situation.

From all this it becomes evident that the priority for us must go to discovering or pinpointing needs rather than presenting customers with a fixed range of preconceived products and services. The same effort should be put into forging contacts with customers—and non-customers, for that matter—as is invested in the products themselves. These can be shaped, varied or—as we now say in our sector—customized. The distinction, therefore, is to be found less in how well problems are solved, or in the product itself; it is more a question of who is able to pinpoint needs and in what way they are catered to. This is where the systems begin to compete; this is, in my opinion, what the topic of all-round financial services is about.

. . . the priority for us must go to discovering or pinpointing needs rather than presenting customers with a fixed range of preconceived products and services.

Put in quite concrete terms: is a network of fixed bases sufficient for servicing the market, or do we need more mobile sales personnel? This question is by no means restricted to organizational aspects. It also affects the qualifications which a financial institution's personnel should possess and has consequences for the company's internal structure.

Primarily, above-average staff are needed to run a field service of this kind. The negotiations conducted in private with clients tend to call for expert knowledge, the lack of which cannot be offset by greater efforts to sell products alone. What can, if necessary, be discussed by a number of specialists at a branch or at head office has to be handled by the mobile employee out in the field all by himself, without any help from outside. For this reason, such people tended to concentrate on a selected range of products in the past. In the meantime, though, they have been constantly obliged to expand the scope of what they offer in order to boost their earnings.

Nevertheless, all-rounders are very rare in the field of financial services. Consequently, a field service of quality can only be developed through time-consuming training or by poaching qualified personnel from rival companies. I am convinced that, from the commercial standpoint, a poor-quality field service fares worse in a cost-benefit analysis than an immobile sales organization. By contrast, a field service of high quality would probably emerge positively from such a comparison.

Service packages should replace isolated individual services.

At any rate, my impression to date of the debate on all-inclusive financial service is as follows: if a bank wishes to secure and extend its market position, it cannot simply continue along the traditional paths, offering its products through fixed outlets and doing business within rigid opening hours. After all, its competitors are marketing the same products on a mobile basis. The bank's relationship with its customers should be made more personal. It must be intensified so that the customer prefers to have a steady relationship with only one bank, and remains loyal to it.

Any business strategy geared to individual groups of customers must differentiate more strongly than in the past. The range of products should be distinctly classified. Modern information and data processing technology must be employed to make the range stretch from standardized, simple products to customized solutions for individual problems that require considerable counselling and explanation. Service packages should replace isolated individual services. Yet even such cross selling is increasingly becoming insufficient to win new customers. This is because it only covers bank products.

By extending the product range, it is possible to benefit from diversification and achieve synergy effects. In addition, if banks draw upon information from related areas of business, they can efficiently pool human resources and know-how. Undoubtedly, these are all arguments which favor the all-inclusive financial services approach. The question remains, of course, how the latter can be realized.

From my bank's point of view, greater variety can be achieved above all by offering home loan and life insurance products. Yet this does not necessarily mean that we must set up or buy companies of our own. A totally independent solution of this type, involving an extension of my bank's product range, would imply confrontation

with companies that have previously been our partners.

At Commerzbank, we have decided here as well to pursue a cooperation course. Under the present circumstances, it is not our aim for the Commerzbank Group to adopt the much-discussed all-inclusive financial services approach—combining insurance, the provision of home loans and traditional banking—since we consider cooperation with established home loan associations and insurance companies to be a more successful way of offering our customers an all-round financial services package. Our experience hitherto with cooperation agreements has been uniformly good, and we shall continue to pursue this course.

Quite independently of such considerations, however, banks will be obliged to change their selling methods in the future. They have operated exclusively from a fixed base up to now, offering their services at set times. It is becoming more and more imperative that they put their sales system to the best possible use. This is especially important as insurance companies have achieved notable successes through hard selling by their field services. In some cases, banks have already begun to complement their immobile sales systems by direct phone selling or by writing directly to customers and even non-customers—the so-called direct mail method. In the long run, though, this is not enough.

A systematic, sales-oriented organization is becoming increasingly important. It will not be adequate in future only to serve customers at the bank. Instead, the bank counsellor may have to visit customers and potential customers outside the bank's business premises. Surveys have revealed, namely, that most of the more demanding private customers prefer to have counsellors visit them at home.

Bank staff will therefore have to become more mobile. Moreover, some will also have to operate out in the field in the future. If the personnel involved have the right qualifications, they can sell certain complex banking services that require additional explanation. At all events, such a network is able to handle standardized products—including home loan savings schemes and insurance products.

Experience has taught us, however, that a counsellor's specialist knowledge is limited in scope. The real problem is still the knowledge which the client counsellor must have at his fingertips. Even today, he must be familiar with the huge number of products and services which his bank provides. This is what actually determines the quality of the counselling.

The integration of electronics into the customer/bank relationship is surely the last major transformation which data processing has inflicted on the banks.

On the one hand, we have the specialists who have a detailed knowledge of only one part of the product range, and, on the other, all-round advisers, familiar with the whole range but not always right down to the last detail. And here of course, we are confronted with the dilemma of the all-inclusive financial services approach: we are forced to choose between specialization or selling odds and ends. There is no ingenious solution which we can apply to this conflict. Each bank must select the mixture which best suits its own business-policy goals.

Commerzbank's trading room in Frankfurt.

Technology

The integration of electronics into the customer/bank relationship is surely the last major transformation which data processing has inflicted on the banks. We are still at the start of a development whose progress—in terms of velocity and scale—is difficult to predict at the present time. Yet decisive impulses are to be expected that will substantially alter banking service and the business conducted by banks in the future. What trends are currently emerging?

- The installation of self-service facilities for dispensing cash and providing information (information on rates and prices, investment recommendations and account statement printers), for use during and outside normal hours of business, is in full swing. Such facilities are being used to an increasing extent.
- Home banking: up to now, the forecasts as regards the use of West Germany's videotext service (Btx) by retail customers have proved to be very wide of the mark indeed. By contrast, corporate customer business is registering mounting demand for integrated solutions in the field of payments transactions and account management. Through the employment of state-of-the-art communications technology, for instance, we are able to offer our corporate customers a sophisticated cash management system. As required, daily statements of a company's liquidity position at various banks can be provided on both a national and international basis. The opportunities afforded by direct computer link-up with banks are

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being drawn upon by a growing number of clients from the business sector. Apart from a more rational handling of their transactions, companies are deriving special advantages in the form of up-to-date information, greater flexibility and the ability to respond more quickly when shifting their assets.

- Cooperation with the retail trade: in any future point-of-sale schemes, in particular, retailers will take up direct contact with the data-processing service arm of the banking sector. Now that the banks have reached agreement at long last on the card to be issued, I expect to see this card move well ahead of the check in popularity over the next few years. Although the so-called super-card may not be a realistic proposition at the moment, we at Commerzbank will soon be introducing our own card within the framework of our agreement with the association in West Germany that is responsible for questions relating to payments transactions, the Gesellschaft fuer Zahlungssysteme (GZS).

Yet probably the most important factor in the employment of data-processing technology in banking services is whether it is accepted by both customers and the staff of the banks. This technology can only be sensibly employed—in relieving personnel of routine work, improving the quality of counselling and enhancing the range of services offered—if it is utilized to the full.

. . . probably the most important factor in the employment of data-processing technology in banking services is whether it is accepted by both customers and the staff of the banks.

In this connection, it is just as important to take the behavior of regional and supra-regional competitors into consideration as it is to consider the overall pattern of customers and, not least, the corporate identity which is established as a strategic concept by the management of a bank. This last factor in particular is the main criterion for the differences which exist between the various financial institutions in their handling of the issue of customer self-service. The fact that Commerzbank has systematically equipped its offices with computer terminals rather than concentrating on self-service devices is evidence, for instance, that at my bank improving the quality of counselling through the direct support of bank employees is given priority over handling transactions by encouraging self-service on the part of customers. In my opinion, those responsible must make sure that, with technology playing an ever greater role in banking services, the human being—no matter whether an employee or a customer—is not lost sight of.

I should like to conclude with a few remarks on our corporate philosophy at Commerzbank. Anyone seeking to develop strategies has to have a corporate philosophy, which describes the goals of an enterprise. These must be accepted by the owners of the company, the employees and the customers alike. The owners will have no difficulty in reaching a consensus over the desire to make profits. But this in itself does not amount to a corporate philosophy. For me, corporate philosophy means that in all areas we have to achieve excellence on our customers' behalf. The yardstick for measuring our success here is, and must surely be, the earnings generated. In order to work towards this end, we at Commerzbank have developed a corporate identity. In other words, we are consciously trying to shape our image and our corporate culture in this direction.

Commerzbank's headquarters in Frankfurt/Main.

In terms of our strategic planning for the bank, this implies that the risk of not changing is greater than the risk of changing. This applies equally to our behavior and to our goals. Ambitious goals are necessary but they must be in harmony with the available and mobilizable resources. Our aim to remain a leading universal bank in the financial markets, and even to reinforce our position, should not be mistaken for the ambition to outpace our competitors in quantitative terms. Size alone does not place a bank among the leaders. ■

. . . the risk of not changing is greater than the risk of changing.

Überblick

Neue Strategien und Perspektiven im Bankwesen bis zum Jahr 2000

Noch nie zuvor waren die Banken solchen Veränderungen ausgesetzt wie im vergangenen Jahrzehnt. Bloße "Veränderungen" könnten sich im nächsten Jahrzehnt jedoch in beträchtliche Umwälzungen verwandeln.

Folgenschwere Ereignisse wie der Börsenkrach im Oktober 1987 haben zu dieser veränderten Rolle der Banken natürlich beigetragen. Kunden sind nun wieder eher geneigt, traditionelle Kredite aufzunehmen und die Beziehungen zu ihrer Bank zu vertiefen. Geschäftsbanken und Investment-Banken gleichermaßen werden in der Zukunft eine wichtige Rolle spielen.

Internationale Schuldenprobleme

Große Sorge bereiten natürlich die internationalen Schuldenprobleme, die die Finanzmärkte der Welt stark belasten. Ein Abweichen vom derzeitigen Kurs, z.B. in Form des oft geforderten Schuldverzichts, ist dabei keine funktionsfähige Lösung, sondern wir müssen darauf hin arbeiten, die Kreditwürdigkeit der betreffenden Länder wieder aufzubauen, um sicherzustellen, daß sie letzten Endes in der Lage sind, ihre Zukunft selbst zu finanzieren. Wir müssen unbeirrt—ohne unnötige Dramatisierung der Lage—weiter langfristige Kreditaufnahmen ermöglichen, wenn das auch bedeutet, daß wir derzeit höchst unfreiwillig neue Kredite zur Verfügung stellen.

Europa nach 1992

Die in Europa fur 1992 geplanten Änderungen stellen für die Banken eine große Herausforderung dar. Liberalisierte Kapitaltransaktionen, Niederlassungen aller Banken im gesamten EG-Gebiet und die Möglichkeit, Finanzdienstleistungen ohne nationale Grenzen anzubieten, werden das unternehmerische Klima radikal verändern.

Wie die Banken mit dieser Herausforderung fertig werden, hängt einmal von ihrer jeweiligen Kreativität ab, von ihrer Fähigkeit umzudenken, und zum anderen von ihren Ressourcen. Jede Bank muß dann für sich selbst entscheiden, wie sie sich weiter entwickeln und expandieren soll, welche Gründungsform ihr am besten liegt, um den Schritt von einer nationalen zu einer europäischen Bank erfolgreich zu vollziehen.

Umfassende Finanzdienstleistungen

Das Konzept eines allumfassenden Finanzdienstleistungspakets hat sich inzwischen zu einem ebenso heiß umstrittenen Thema entwickelt, wie das Für und Wider von "Universalbanken" im Vergleich zu dem zweispurigen System der Geschäfts- und Investmentbanken. Beide Themen werden in der Zukunft eine große Rolle spielen und alle strategischen Planungen beeinflussen.

Zwar haben noch keine revolutionären Veränderungen in Form echter neuer Institutionen stattgefunden, doch gibt es heute keinen klar definierten Markt mehr für Bankprodukte und Bankdienstleistungen. Die Banken sind heute auf Gebieten tätig, die sie früher gemieden haben; umgekehrt werden individuelle Bankleistungen heute auch von Nicht-Banken auf dem Finanzdienstleistungssektor angboten. Die Signale, die wir aus diesen Entwicklungen erhalten, sind klar: Unsere Bestrebungen sollten sich darauf richten, die Bedürfnisse unserer Kunden zu erkennen und zu befriedigen, statt sie einfach mit einer vorgefaßten Palette von Produkten und Dienstleistungen zu konfrontieren.

Technologie

Die Einführung elektronischer Kommunikationsm[illegible] in die Kunden/Bank-Beziehungen ist die jüngste Entwickl[illegible]ng, die uns die Datenverarbeitung beschert hat. Die Ausmaße sind gegenwärtig noch nicht abzusehen, doch ist die Reaktion und Aufnahmebereitschaft der Kunden und Bankangestellten mit Sicherheit ein entscheidender Faktor, ob sich diese technologischen Neuerungen bewähren. Nur wenn sie eine Erleichterung für beide Seiten darstellen, werden sie erfolgreich Fuß fassen. Auch in diesem Bereich gilt, was bei allen strategischen Planungen die Maxime der Banken sein sollte: Das Risiko, sich nicht anzupassen, ist größer, als das Risiko einer Veränderung. Sowohl unser Verhalten als unsere Ziele sollten in diesem Sinne ausgerichtet sein. ❑

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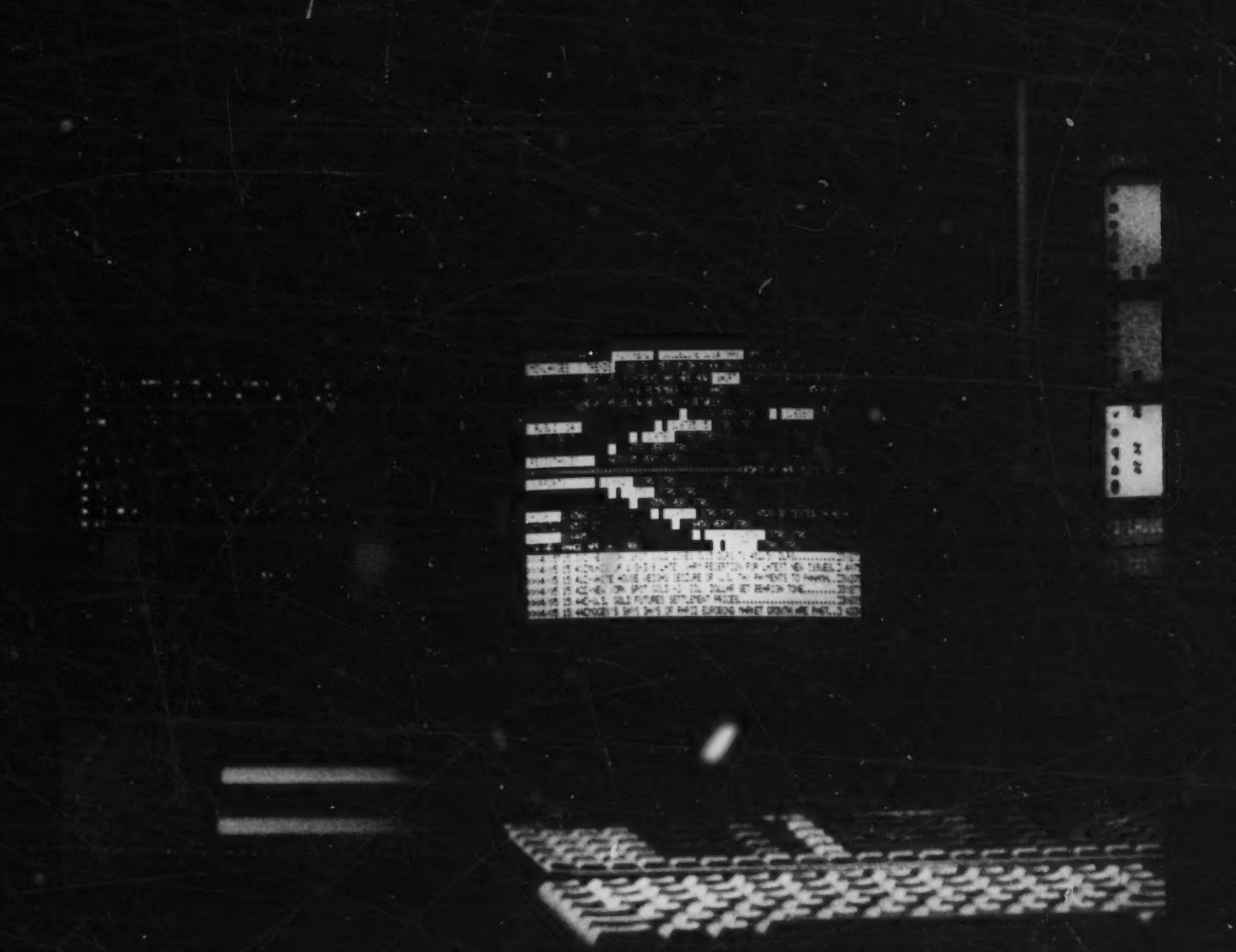

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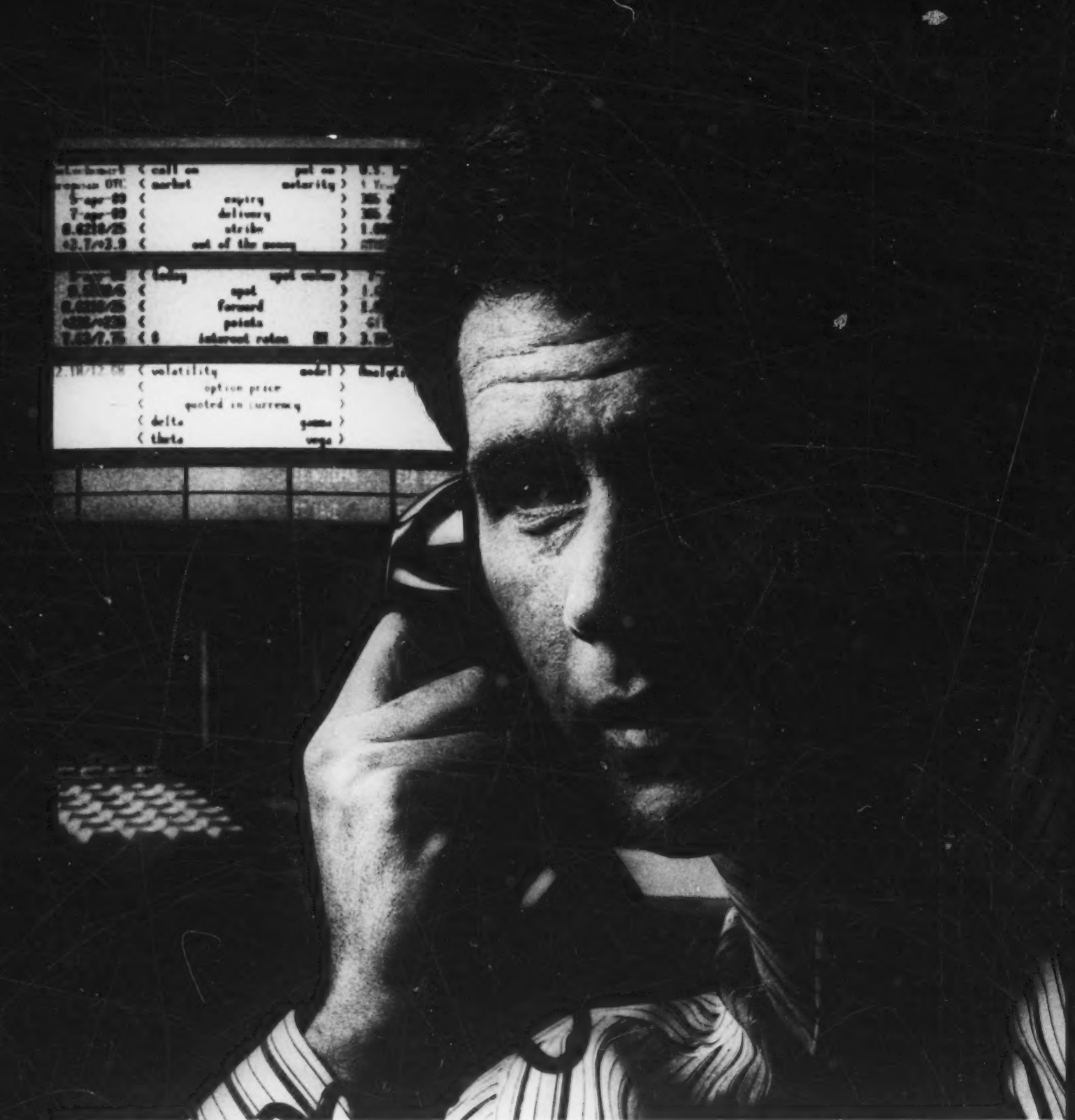
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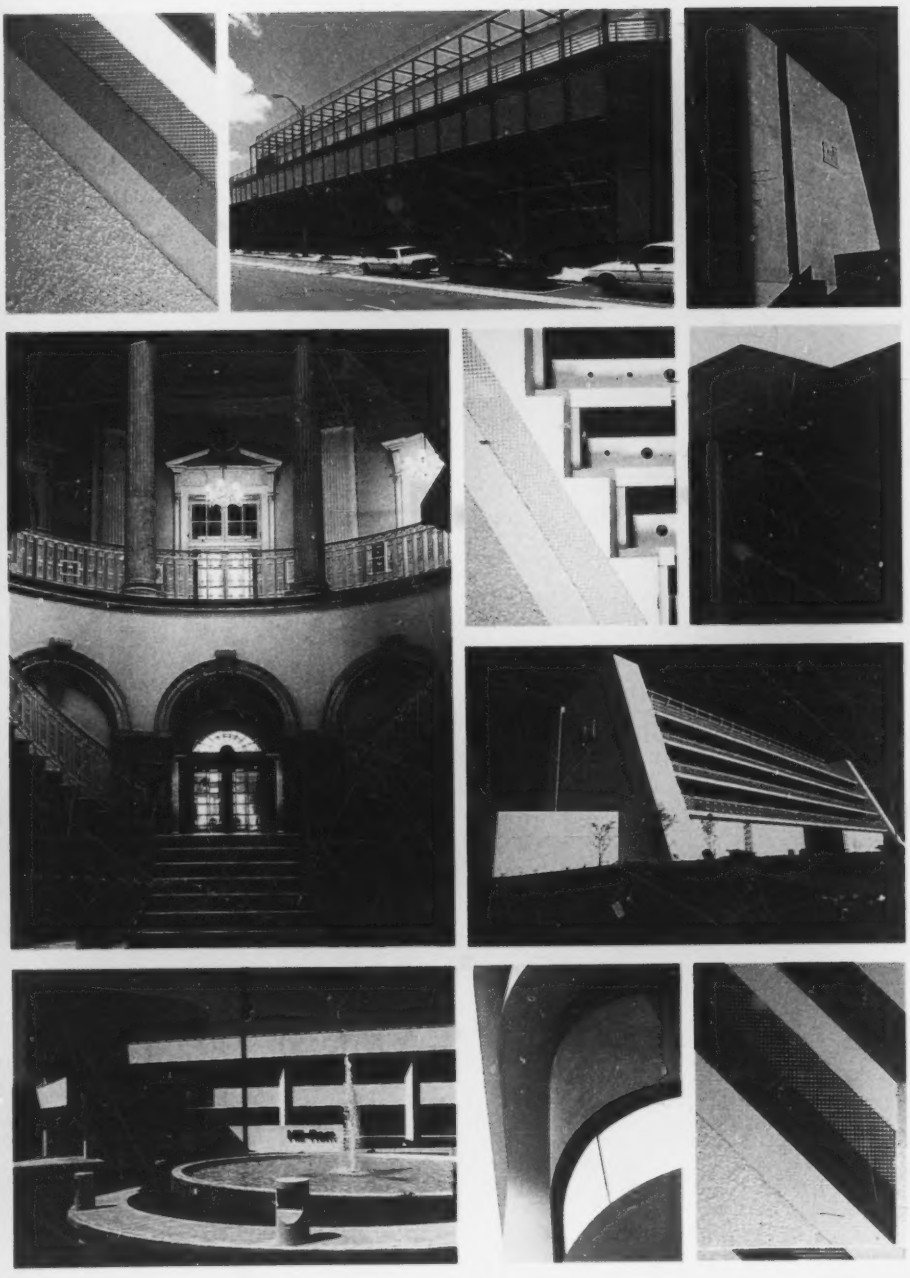

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US-Banken: Was deutsche Firmen mit Niederlassungen in den USA wissen müssen

A Banking Primer for German Companies with U.S. Subsidiaries

William D. Lyons
Assistant Vice President
International Department
Citizens and Southern National Bank
Atlanta

During the earlier years of this decade, when the dollar was nearing its historical lows against the German mark and other major currencies, meaningful investment in the U.S. market could be achieved in one of two ways. With minimal initial capital investment and a limited number of employees, a German company could set up a small American sales organization that could profitably import German-made goods into the U.S. market. Most German companies interested in investing in the U.S. decided such an organization best fit their needs. Another, less numerous group of firms approached the American market in a different way, opting to set up U.S. manufacturing facilities as well as a marketing and sales staff.

Those German firms which have U.S. production capacity have been able not only to hold on to (or increase) their U.S. market share, but also, in some cases, to export U.S.-produced goods back to the German parent company or elsewhere in the world. However, the current value of the dollar has made life difficult for those firms which rely solely on their German parent companies to manufacture products to import into the U.S. Many companies with no U.S. production capacity are now considering increasing their investment in the U.S.

Many companies with no U.S. production capacity are now considering increasing their investment in the U.S.

A net result of these structural changes (and the accompanying need for greater capital resources in these U.S. subsidiaries) has been either an increased reliance by the American subsidiaries of German companies on their parent companies for medium- and long-term capital or a higher demand for credit facilities from their U.S. bankers (either the U.S. affiliate of the German house bank or the subsidiaries' domestic U.S. banks). This article will discuss, from an American banker's point of view, the challenges these companies and their bankers face in dealing with this new environment.

Differences in U.S. and German Banking

For various reasons the U.S. and German banking systems are very different. For instance, no American banking institution has built a nationwide network of bank branches. Until recently, U.S. banking laws prohibited a bank from setting up branches outside a narrowly defined geographic area, resulting in each region or state being dominated by a small group of banks unique to that region. Each such group of banks was shielded from competition from banks headquartered outside their region. Unlike Germany, where a handful of banks dominate the

economy and have offices throughout the country, most of America's 14,000 or so commercial banks serve relatively small market areas.

As a result, most U.S. banks have a narrow focus on the specific banking needs of their local markets and do not offer products in certain, more sophisticated areas of banking (including international banking). For all but the largest U.S. companies, who can rely on the banking expertise of America's one hundred or so largest banks, this fragmentation of the U.S. banking market and the resulting low level of international banking expertise has not presented any special problems. However, most U.S. subsidiaries of German companies do need products and services such as international funds transfer, foreign exchange, and loans supported by parent guaranties or

. . . banking products and services. . . of the average German commerical banker are unfamiliar to most U.S. bankers.

foreign bank standby letters of credit. These banking products and services, which are part and parcel of the day-to-day activities of the average German commercial banker, are unfamiliar to most U.S. bankers.

Other differences between the two systems are more difficult to quantify and are related to other legal, cultural and tradition-based practices unique to each country. One such difference is American banks' emphasis on *cash flow* and identifiable profitability in a borrower's operations as a primary prerequisite to extending credit. This emphasis is due partially to the fact that American tax laws and accounting regulations allow less room for the setting up of reserves into or out of which profitability and taxable income may flow. A company's real profitability is more easily determined under American accounting regulations than is the case in German accounting.

Another major difference between U.S. and German banks is expressed in the concept of *universal banking*. During the Great Depression, when many U.S. banks went out of business as a result of the 1929 stock market crash, U.S. lawmakers took away from commercial banks the ability to engage in various corporate financing activities which even today are the sole province of American merchant and investment banks. U.S. commercial banks were (and largely remain) excluded from undertaking such activities as underwriting and distributing securities and certain types of corporate debt instruments. However, for most German companies in the United States this distinction is not important. All but the very largest German corporations with U.S. investments do not need merchant banking products.

Finding a Suitable American Bank

Your German house bank is the first and possibly best source of information on a U.S. bank which could serve the banking needs of your U.S. subsidiary. Over the past few years certain American banks in each geographic region have responded to the influx of foreign investors by building their international expertise and services to respond to those investors' special needs. Your house bank should be aware of which banks in each region are capable of taking care of your specific banking needs. An advantage in using your house bank's recommendations becomes apparent when a U.S. subsidiary needs a loan to be supported by a German bank guaranty or standby letter of credit. If the subsidiary's U.S. bank and your house bank already have a longstanding relationship, such a credit arrangement should be relatively easy to put in place.

If your house bank cannot help you in finding a suitable American bank, there are a variety of other referral sources available. Included among these other sources would be the European representative of the state in which you wish to locate a subsidiary (almost all U.S. states interested in attracting foreign investment have permanent representative offices located in London or elsewhere in Europe), economic development authority officials in the locality you are moving into, the regional office of the German-American Chamber of Commerce, and the subsidiaries of other German firms already existing in the area.

A result of the above-mentioned market fragmentation in American banking is that your U.S. subsidiary may need to work not with one but two banks, each of which is necessary for different reasons. For instance, if you locate your facility outside a major metropolitan area, you may have to use a very small local bank for your local needs (particularly payroll) and a larger non-local bank for more sophisticated products such as lines of credit, foreign exchange, and international funds transfers. This situation is not unusual for large American as well as foreign companies located in less populated areas where land and labor are relatively inexpensive but local service providers cannot meet all of these companies' needs.

American Banking Services

Most banking products and services offered by U.S. banks are not fundamentally different from the services your house bank provides for you in Germany. However, there are some small but significant differences even in the most basic products, including:

Checking accounts

Unlike Germany's *Giro* system of domestic funds transfer, most trade payments in the U.S. are made via check. This reliance on paper rather than electronic transfer of funds combined with the fact that interest is not paid on business checking accounts forces U.S. companies with large cash inflows and outflows to actively engage in *cash management* to ensure that idle balances in checking accounts are kept to a justifiable minimum. All large American banks provide various automated services to simplify their customers' cash management needs.

Another major difference in the two systems relates to overdrafts. In American banking practice overdrafts (presentment of a check in an amount greater than the balance available in the checking account) are not automatically granted and are generally not allowed. As a result, unless you have arranged a specific line of credit

Skyline of Atlanta, financial center of the South

with your banker any overdraft presented against your checking account may not be accepted. If you expect that an overdraft situation will occur in your account, forewarn your banker.

. . . a standby letter of credit allows a German parent company to maintain the confidentiality of its financial statements. . .

Credit services

Although some American subsidiaries of German companies have been operating long enough to have built a history of profitability and a strong capital base, for most subsidiaries in the U.S. any credit line extended by a bank will have to be formally supported by the German parent company.

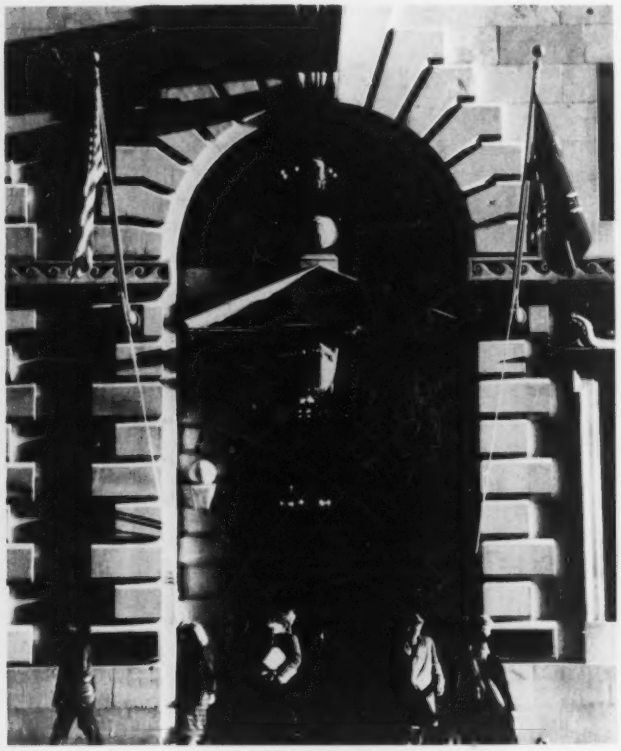
One common way to formalize such support is through issuance of a parent company guaranty (*Buergschaft)* to the bank. This is the least expensive way to offer such support, but can also present difficulties. First of all, acceptance of a company guaranty by a banker requires that he or she have an in-depth understanding of the parent company's financial strength through analysis of parent company financial statements. Such analysis usually requires a working knowledge not only of the German language but also of German accounting, neither of which are common skills for the average American banker. Also, even in cases where your American banker possesses these necessary skills, many German firms are reluctant to allow an outsider to examine their financial situation too closely.

Another common means of support for a credit line for a U.S. subsidiary is issuance of a standby letter of credit from a German bank. Although this option is more expensive than a company guaranty (due to the bank fees involved) and ties up a portion of the parent company's credit facilities with the issuing bank, a standby letter of credit allows a German parent company to maintain the confidentiality of its financial statements while giving the American banker a very high level of comfort regarding his risk in extending credit to the U.S. subsidiary. The resulting decrease in default risk may allow the banker to charge a lower rate of interest on the credit facilities secured by a standby letter of credit, reducing the net additional cost of this option.

A third possibility in securing credit facilities is used by some private family firms (a category into which most German companies investing in the U.S. fit). If the proprietor of such a firm has liquid investments in the U.S.— U.S. treasury securities and certificates of deposit are common —those investments can be taken by a bank creditor as collateral for a loan to the U.S. company. Unlike the standby letter of credit arrangement described above, fee expenses are minimal. Also, the German parent company's confidentiality can be maintained.

Short-term lines of credit

Typically, a short-term line of credit (sometimes called a *working capital line)* is set up on an annual basis with a written loan agreement defining the interest rate, maturity



Headquarters of Citizens and Southern National Bank, Atlanta.

date, and other information. For small lines of credit (typically under $250,000), the only charges made are interest charges on outstanding credit balances. Larger lines of credit, which may require more work for the bank and often require commitment fees from the borrower, may also have various fees related to usage of the line.

Such lines of credit are intended to be used for short-term financing needs and often must have a zero balance for a certain time period during the year. Most such lines have interest rates linked to the U.S. prime rate, although other base rates such as LIBOR are not uncommon.

(Note: Discounting of specific accounts receivable is not a typical form of short-term financing in the U.S. However, accounts receivable may be taken as collateral to support a short-term line of credit.)

Medium- and long-term lending

American banks offer a broad range of medium- and long-term financing products, any one of which can be applied to a variety of circumstances. Although straight bank credit is often the best solution for such term lending needs, other more specialized types of financing such as leasing, commercial finance, and factoring may better suit a particular company's tax, capital, and cash flow needs.

One lending area in which many U.S. banks are very conservative is long-term financing of real estate. Real estate prices in most parts of the United States can either increase or decrease relatively quickly and dramatically. As a result, U.S. banks are conservative in estimating the collateral value of a facility which may be the only source of repayment in the case of foreclosure. Many German companies in the U.S. are surprised to find that their U.S. banker will lend only against the *appraised liquidation value* of a given piece of real estate, irrespective of the cost of the facility to the borrower. Cost and appraised liquidation value can be very different in U.S. real estate.

Private Banking

For a new U.S. subsidiary key managers and technicians will typically be brought over to the United States from the parent company to live for six months or longer to oversee or train U.S. employees. These individuals and any members of their families who accompany them will need a variety of personal financial services including home mortgages, automobile loans or leases, and credit cards.

Without a history of good credit in the United States new residents usually find access to such credit services

A small amount of preparation can be very helpful in smoothing the way for understanding between the three parties . . .

to be very difficult if not impossible to obtain. An experienced private banker can ease the transition for foreign individuals and their families by advising how best to arrange American finances and possibly by providing credit services which would otherwise be unobtainable.

Facility location service

Because of their knowledge of local markets some U.S. banks are aware of the various site options available for new firms moving into an area. In combination with a network of state and local government development offices and interested parties in the private sector your banker can sift through the various site possibilities currently on the market and put together a list of properties which fit a set of criteria (e.g. access to transportation, tax considerations, labor availability, labor and utility costs) which you have defined as important site selection considerations. This service is typically offered without charge or obligation.

International services

The most important non-credit international services for U.S. subsidiaries of foreign firms are international funds transfers and foreign exchange. Although these are activities in which German bankers are active daily, few American banks have much demand for these services. As a result, most U.S. banks carry out these activities through arrangements with other, larger U.S. banks located in major metropolitan areas in their region. If the U.S. subsidiary only needs these services occasionally, it may be unimportant exactly how these services are delivered. However, if the U.S. subsidiary is active in funds transfers and foreign exchange, a direct relationship with a U.S. bank active in these areas will save money, time and the inconvenience of dealing with an institution with minimal expertise.

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Helping your U.S. banker

A small amount of preparation can be very helpful in smoothing the way for understanding between the three parties (the German parent company, the U.S. subsidiary, and the American bank) involved in most of the banking transactions discussed above. This is particularly true when the extension of credit is involved. The following two documents should be prepared by you if you expect to request credit from your U.S. banker:

A short history and description of the German parent company

Unless your American banker has visited you at your German headquarters, he or she will probably not have a very solid understanding of your company's corporate history and current activities. You should very clearly discuss with your banker a broad overview of the German parent company's activities including who the current owners of the business are (including minority shareholders), where the company does business (especially your experience in the American market), and the various products involved (sales brochures can be very helpful in this respect).

Many foreign companies come into the U.S. without a specific plan . . .

A written business plan for the U.S. subsidiary

A written plan is indispensable in setting out a clear path for both you and your banker. Many foreign companies come into the U.S. without a specific plan as to which markets they plan to serve, how their products will be distributed, and other key elements related to the results they expect to achieve during the next three to five years. Although the U.S. market presents tremendous business opportunities for any company with a quality product at a fair price, much more than product quality and price competitiveness are needed in order to succeed.

. . . much more than product quality and price competitiveness are needed in order to succeed.

Your business plan should include detailed sales, expenses, and profit (or loss) projections as well as balance sheets reflecting the U.S. company's expected assets, liabilities, and capital structure.

Summary

The United States, the *Land of Unlimited Possibilities,* will continue to present both opportunities and challenges for German companies. One element in the success such companies achieve in the U.S. is the relationship existing between the German parent company, the U.S. subsidiary, and both companies' bankers. Subtle but important differences do exist in the way American and German companies and banks deal with one another. An understanding of the differences between the banking systems and banking practices in both countries will lead to a more fruitful business relationship for everyone involved. ■

Überblick

US-Banken: Was deutsche Firmen mit Niederlassungen in den USA wissen müssen

Die Vereinigten Staaten, das "Land der unbegrenzten Möglichkeiten," wird auch weiterhin deutschen Unternehmen nicht nur Möglichkeiten, sondern auch Herausforderungen bieten. Eine der wichtigsten Voraussetzungen für erfolgreiche Geschäftstätigkeit in den USA ist das Verhältnis zwischen der deutschen Muttergesellschaft, ihrer US-Niederlassung und den Banken beider Unternehmen richtig zu verstehen. Es bestehen feine, aber außerordentlich wichtige Unterschiede in der Art und Weise, in der amerikanische und deutsche Unternehmen mit ihren Banken verkehren. Ein klares Verständnis der Unterschiede zwischen den Banksystemen und Banknuancen beider Länder trägt zweifellos zu einem einträglicheren Geschäftsverhältnis zwischen den Betroffenen bei. □

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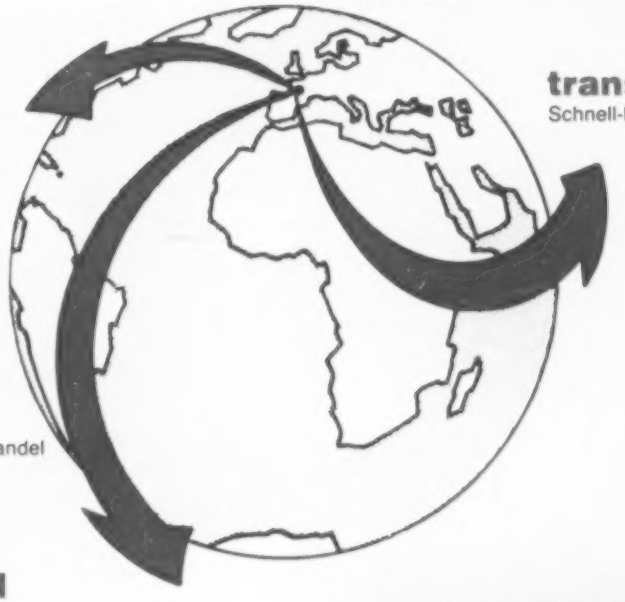

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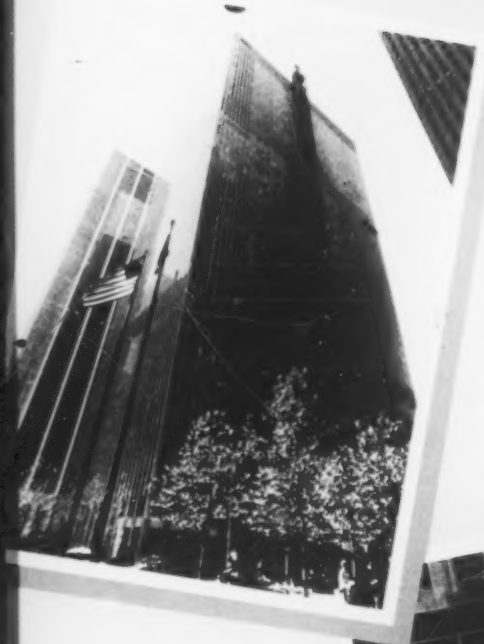
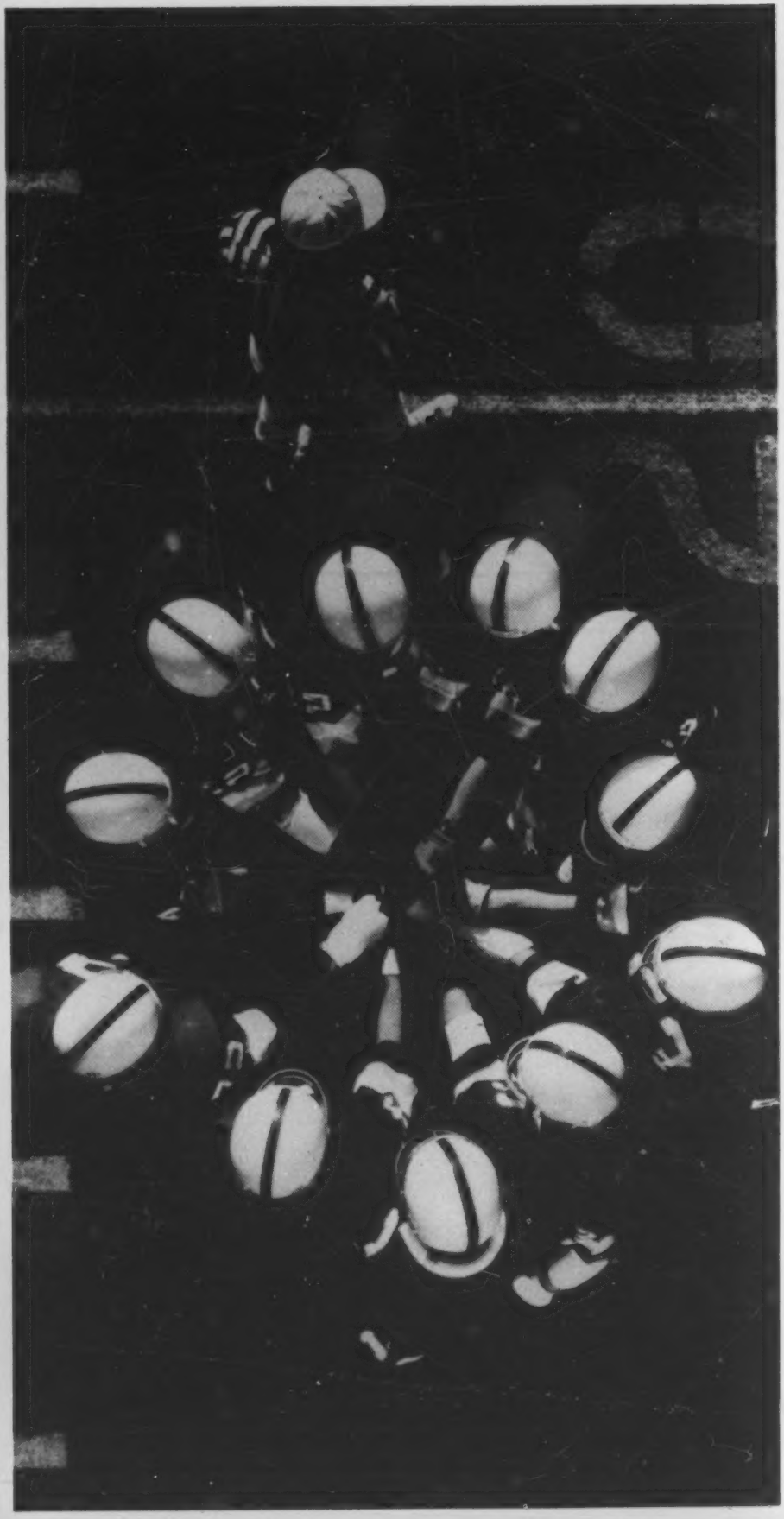


DIRECT INVESTMENT



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Deutsche Investitionen in den USA: Neue Impulse

The New Imperatives of German Direct Investment in the United States

Dr. Tyll Necker
President of the Federation of German Industries

The number of German companies that have established operations or acquired participations abroad has risen constantly during the past ten years. The United States has proved to be a particularly strong magnet for German investors. By the end of 1986, the United States accounted for 28 percent of the capital invested by Germans abroad. Ten years earlier it had been only 12 percent.

While the economy of the United States took giant strides in becoming increasingly service-oriented during this period, German companies found profit opportunities in the U.S. manufacturing sector. At the close of 1986, 53.3 percent of the funds invested by companies in the United States had been allocated to participations in its manufacturing industries. Investment in banking and equity positions accounted for merely 9 percent. The

By the end of 1986, the United States accounted for 28 percent of the capital invested by Germans abroad.

investments originated primarily with Germany's manufacturing industries. Chemicals have been in the forefront, followed in their wake by automobile, electrical and machinery manufacturers. These four major industries accounted for 88 percent of the investment volume in manufacturing. The major role played by German industry in German-American business is underscored further by the concurrent expansion of trade.

Filling the Investment Gap

Business relationships between the United States and the Federal Republic have developed steadily since the close of the Second World War. Initially this relationship was largely based on trade. German investments in the United States played only a minor role in the Fifties and Sixties. Interests held in enterprises before World War II had been lost. Even the thought of investing abroad seemed unreal as long as the available capital was urgently needed for the reconstruction of the German economy.

It was only in the early Seventies that investments in U.S. distribution and production facilities gained importance. The void that had been left by the circumstances of history is most likely one of the reasons why investments in Western industrialized countries by German companies rose 235 percent in the period from 1976 to 1986. Investments by other countries, already at a high level, advanced only 48 percent during the same period. To be sure, there are two other aspects that play an increasingly important role in German foreign investments.

During the past decade German industrial companies recognized more and more clearly that export successes

had to be secured by direct investments. That applies particularly to companies that want to be successful long term in foreign markets, as German companies are wont to do. The importance of foreign investment to German firms is all too evident in the most recent developments in global trade. Since 1986 the Federal Republic has been the top exporter in the world. For half of the 30 leading trading nations, which absorb altogether about three-fourths of the world's imports, Germany is the largest supplier, while the U.S. and Japan are tops in only five.

Intensified worldwide economic integration has exposed German business to the impact of international competition to an ever increasing extent. Growing competitive pressures in world and domestic markets present opportunities as well as risks. A well-functioning economy is basic to survival in international competition. Thus the high level of foreign trade maintained by the German economy acts as a spur to productivity and progress.

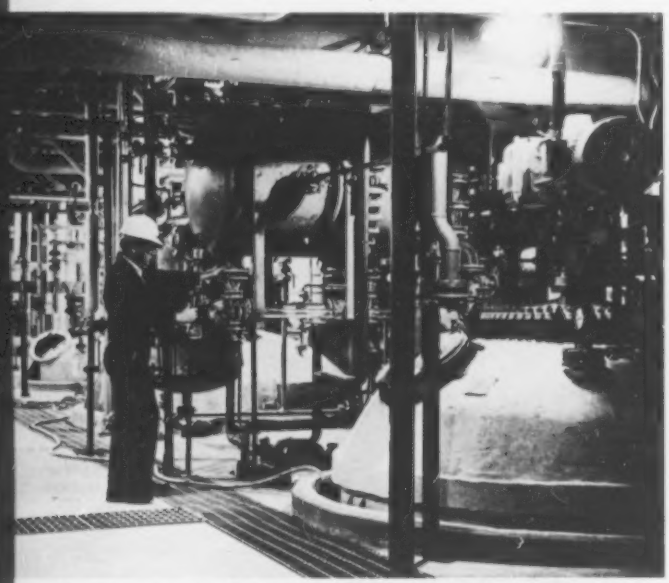
Those who invest abroad are less dependent on exports.

On the other hand, greater export orientation also makes the German economy more susceptible to the imponderables of foreign trade, and can deteriorate the market position of a company. A look at the export intensity of different industries make this sensitivity particularly apparent. In 1986, exports represented between 40.3 and 55.1 percent of the sales of the German chemical, machinery, automobile and electrical industries, the four largest in the Federal Republic. It is therefore not surprising that these four also head the list of foreign investors. Those who invest abroad are less dependent on exports. As a result they reduce their business risks and, at the same time, help to secure their markets.

On the other hand, the long, steady rise in German foreign investment is both an expression of the growing division of labor in world trade and a reflection of the fact that the business of German companies has in the meantime expanded to the extent that their major opportunities for growth are only to be found in the international arena.

Enterprises operating globally treat their home and foreign markets with equal seriousness.

Foreign investment is a modern business tool that has taken its place alongside classic trade in goods and newer forms of international economic relationships such as licensing, technical consultation, management agreements and similar international services.



Henkel Group chemical production facility in Charlotte, North Carolina.

The Lure of the United States

Having named all the major factors that have contributed to the growth of German foreign investments, one question still remains to be answered: Why does the United States prove to be so particularly attractive to German investors? Upon examination it becomes evident that the American and German economies are very similarly structured. Both countries possess highly developed, well-functioning infrastructures. Their politically stable, mature economies boast high per capita incomes. Their respective industrial structures are based primarily on research and capital intensive industries. However, more than the commonalities it is especially the differences that cause German companies to invest in the United States.

All studies and surveys show that the dominating factor is the immense difference in size between the two economies. In 1986 the real gross national product of the United States of $3,215 billion was more than 3.5 times greater than Germany's $888 billion. The American market is still the biggest cohesive market in the world. In the period from 1971 to 1986 domestic demand averaged, in constant prices, an annual growth in the United States of 3 percent, or about twice Germany's rate of 1.6 percent.

Moreover, the beginning of the Reagan era provided improvements in the general economic climate and conditions for entrepreneurial endeavors with the introduction of tax reform and deregulation. It has also to be taken into account that the American market lacks a homogeneous structure or uniformity in its preferences. Due to the differences between regional economic areas and the various mentalities represented within its population, there exist niches in the U.S. market for virtually every product.

The American market is still the biggest cohesive market in the world.

The lure of the American market did, of course, not escape the notice of companies in other countries. As a result, it is one of the most competitive markets in the world. It was and is a must for many German companies to be represented with their own subsidiary, if merely for the opportunity to prove their competitive mettle and participate in the unique potential this market offers.

Due to various peculiarities, success in the U.S. market also often depends on operating one's own distribution or production site. Many German manufacturers of capital goods learned that to survive in the American market they had to be close to their customers because, on the one hand, they expect to have spare parts as well as maintenance available from facilities operated by the manufacturer; and on the other hand, experience has shown that the considerable training required to master the advanced technology of the machinery and capital goods supplied by the Germans has to be provided from a nearby source. Another factor is that despite the current high surplus of imports in many important capital goods sectors, the American market continues to rely on what the Continent has to offer. Accordingly, many U.S. customers prefer to deal with a domestic rather than a foreign source because it is generally felt that there will be fewer problems and, given two products of equal quality, *Made in the U.S.A.* is still preferable to the average American.

. . . the decision to invest in the United States has also been supported by the high technical and scientific potential this country offers.

In addition to these marketing considerations, the decision to invest in the United States has also been supported by the high technical and scientific potential this country offers. German enterprises can only profit from the *know-how* transfer from universities and research laboratories to corporations or participate in technological advances if they settle near these institutions. Some German companies have also built their own research facilities in the United States or secured direct access to research findings through their financial support of such institutions.

Another avenue enabling German companies to participate in U.S. industry's state-of-the-art technology is to acquire U.S. corporations, either in whole or in part. Investments by German companies to that end, namely to profit from the technological edge in certain areas, have concentrated particularly on those areas of research where the German environment has become overly regulated, as, for instance, in chemistry, or more typical yet, in biotechnology. By contrast, investments in U.S. R & D by manufacturers of electronic equipment are not so much due to the regulatory climate in Germany, as based on the attraction that America's pool of development engineers provides. In building research capacity and participating in U.S. research, German companies have the opportunity to join in America's lead in high tech, a lead which in the meantime is regarded as a technological gap for the Federal Republic.

Coping with Risk

The number of German companies which have acquired participations or established their own operations in the United States has risen steadily in the past ten years. According to German Central Bank statistics, 2,112

Former headquarters of Celanese Corporation in New York City. Hoechst acquired Celanese in 1988 for $2.8 billion.

firms each invested more than DM 500,000 abroad in 1986, a rise of 50 percent compared to six years ago. This significant gain indicated that large corporations, internationally active for years, have now been joined by medium-sized firms in venturing across the Atlantic. Like any entrepreneurial move, such a venture is also subject to the risk of failure.

That applies particularly to a newcomer to the American marketplace because the entrepreneurial risk is greater for companies accustomed to European trade and marketing practices. Many ventures have failed for lack of proper preparation and sufficient recognition of U.S. market characteristics. Frequently the American business mentality and management methods were not adequately respected, or the size of the U.S. market was underestimated.

Lacking familiarity with U.S. market conditions, others did not succeed because they set their sights too high and thus overreached themselves. Still others failed because they approached America as if it were a neighboring European country, or ventured across the Atlantic only because investing in the United States was *in*. Of course, success also depended on the industry and location. Not all industries and regions participated in the current upswing in the same way and to the same extent.

Proper consultation and comprehensive preparations could certainly have prevented many of these failures. Even if the U.S. market can, by virtue of its size alone, absorb a great deal, it still does not follow that success

Hoechst Celanese Corporation plant in Bishop, Texas.

occurs automatically. In the intensive American competitive climate, any entrepreneurial misstep is punished promptly.

Thorough preparation is therefore an inevitable prerequisite. For this reason the cost of a market study is a worthwhile initial investment. The German-American Chambers of Commerce provide not only links to their German-American members in the United States, but also have good connections to the local economy in their respective service areas. In past years, the value of their advice has been appreciated by many a newcomer to the U.S. market.

Despite painful experiences incurred by many newcomers, the growing number of German investors indicates that most investments in the United States have been successful. In a survey conducted by the German-American Chamber of Commerce, 59 percent of the firms reported that they had reached or exceeded their profitability projections. A majority of the respondents traced their success to the competitive edge inherent in their products and to the high quality of their customer service.

Brooklyn Port Authority Marine Terminal in New York. The lower dollar has made German exports to the U.S. less profitable.

Any analysis of German investments in the United States would be much less extensive if it singled out the most often cited argument, namely the size of the market. The economic conditions of the respective country form an important framework for the decision to invest abroad. Expecially with regard to the United States, this framework has changed dramatically several times during the past ten years. The effects of the strong fluctuations of the dollar have in many respects made the American market a rewarding target for investment by German companies.

The Exchange-Rate Factor

The initial years of the Reagan era were marked by extraordinary confidence in American economic policy, a sentiment reflected in the strength of the dollar on currency markets. This phase of a high-value dollar improved German price competitiveness immensely. In many instances exports to the United States were expanded and market share increased. In the period from 1980 to 1985, the value of German exports to the United States increased annually by an average of 21.6 percent. The persistently rising dollar made these exports lucrative.

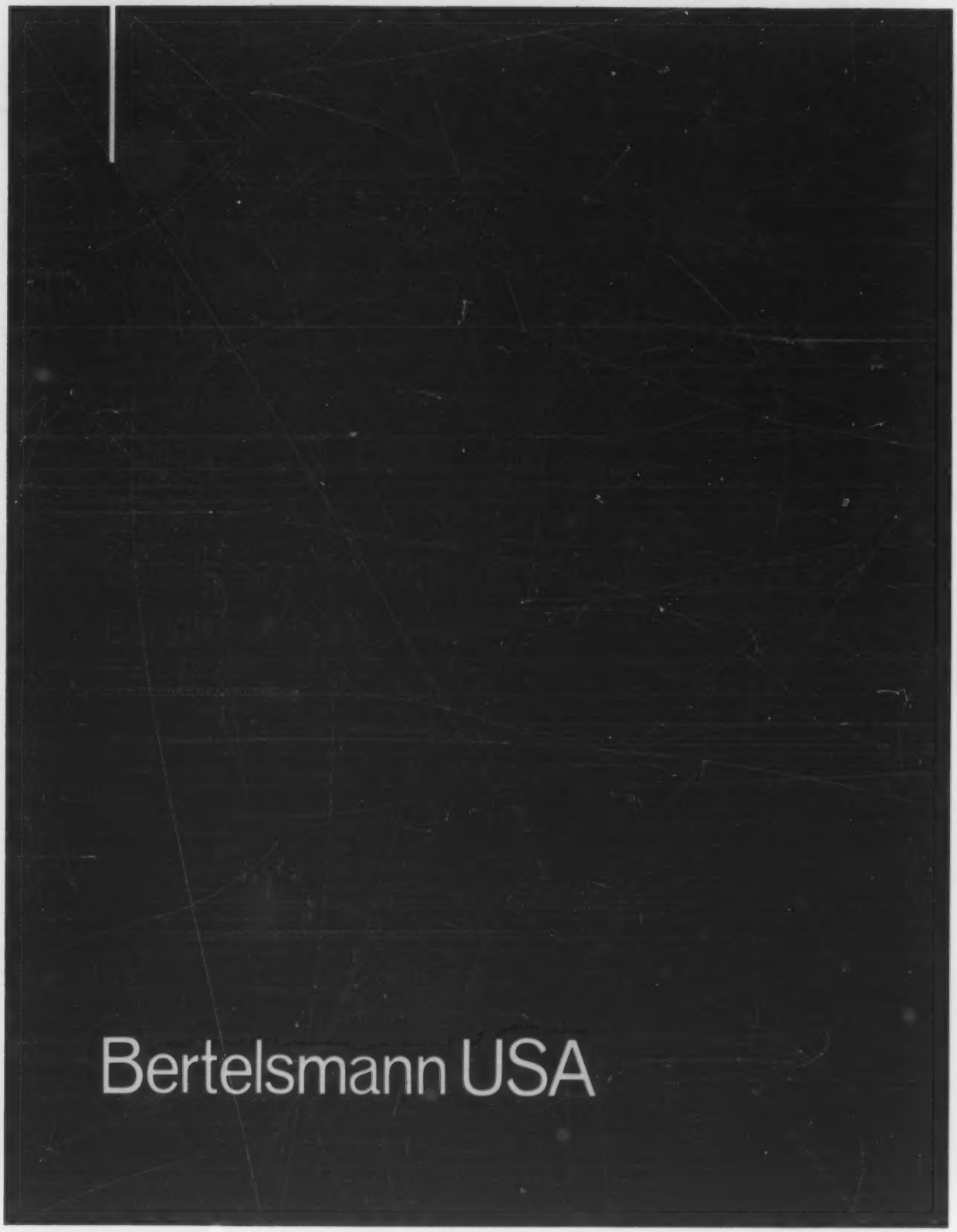
In the period from 1980 to 1985, the value of German exports to the United States increased annually by an average of 21.6 percent.

Many companies, particulary medium-sized firms, recognized the opportunity to expand their business into the U.S., especially in light of the comparatively modest outlook for economic expansion at home. The development of the dollar during this period gave many German firms that heretofore had been unable to compete in the U.S. an opening to that market. To open and service the markets for their exports, these newcomers soon had no choice but to invest if they wanted to secure their position for the long pull.

During that same period, other German companies succeeded in enlarging their market share to an extent that warranted the establishment of their own production capacity in the United States. This step, designed to defend market positions, was all the more important because many American customers accept foreign suppliers more readily if they operate production facilities stateside.

The structure of the German export economy is an important factor to consider if one is to explain the extraordinary expansion of German investments in the United States.

Capital goods industries are a mainstay of German exports. Following the appreciation of the dollar, this industry became extremely competitive during the first half of the Eighties, and, at the same time, found the



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opportunity to serve a rapidly expanding U.S. economy. Since—due to the characteristics of the American market—branch operations in the U.S. were particularly necessary for capital goods manufacturers, it is only logical that their investments rose in the wake of their rising export successes.

After 1985, as the dollar began to weaken, additional factors prompting investment came into play. First of all, investments in the United States became much cheaper. In 1985, a $1 million participation in a U.S. company still represented an outlay of DM 3.4 million; three years later that same share could be had for DM 1.8 million.

This drastic change in currency relationships also left its mark on the statistics measuring German direct investments in the United States. The data covering these assets is derived from the companies' balance sheets directly. Dollar devaluations necessarily lead to a devaluation of existing assets. Thus it is possible that the trend line shows a drop in German direct investment in 1986 compared to a year earlier, even though the flow of German funds for that purpose was substantial during that year

Another new factor that encouraged German investments in the United States was the fact that market share won in prior years was now threatened by the dollar's decline in value. That applied particularly to firms that had established their position through exports on the strength of the high-valued dollar in the preceding years. To secure their position and to reduce foreign exchange risks, these companies started to invest in branch and production operations.

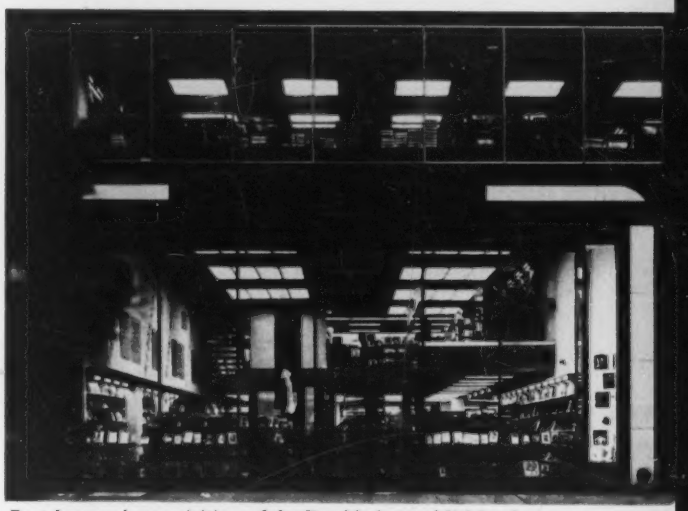
Another factor motivating investments in the United States has resulted from the most recent developments in U.S. foreign trade policy. The prolonged discussions on the U.S. Trade Bill, the repeated calls for protectionism by several industries, as well as trade barriers created by import quotas, have certainly helped German companies to decide to establish their own production facilities in the U.S. in order to escape these restrictions on trade.

However one evaluates the reasons for the increased presence of German investments in the United States, the major motive for such investment is the proximity to large, future-oriented markets governed by liberal economic principles. Any decision to invest abroad is usually guided by long-term corporate strategic planning. The exchange rate, trade policy and participation in technological *know-how* are additional considerations, of different value to each company. Changes in exchange rates may speed or delay the decision to invest abroad, but they are not the decisive factor.

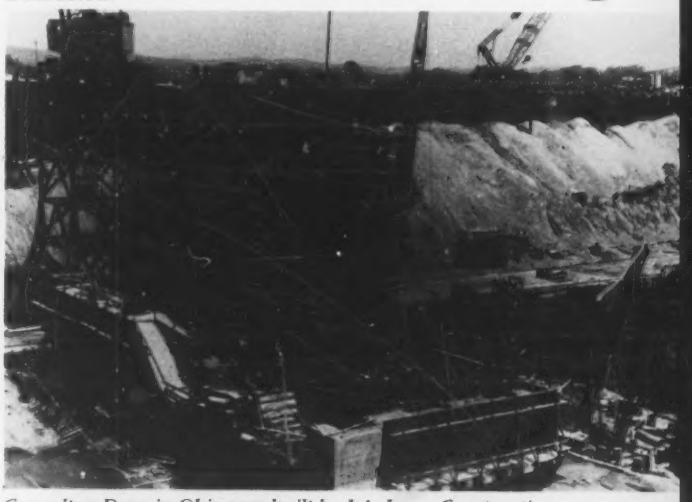
However one evaluates the reasons for the increased presence of German investments in the United States, the major motive for such investment is the proximity to large, future-oriented markets governed by liberal economic principles.

Investment decisions are prepared, made and implemented with long-term aspects in mind and are not made dependent on the unpredictable fluctuations of exchange rates. One more thing: even if the attractiveness of the U.S. market is the decisive factor for German investments in North America, relative location advantages within the U.S. should not be overlooked. The low level of corporate taxes and other costs of doing business play an important role, and so do high profitability and low production costs.

In view of the unparalleled opportunities that the U.S. market offers to German companies, it is likely that German investments will continue unabated. The huge American market with its manifold regional variations and its different consumer mentalities will continue to provide German companies markets for their qualitatively and technologically advanced products. The opportunities for a sustained business relationship between the U.S. and the Federal Republic of Germany are far from exhausted. ■



Bertelsmann's acquisition of the Doubleday publishing house represented a major expansion by Germany's largest publishing company into the American market.



Cannelton Dam in Ohio was built by J.A. Jones Construction Company. The ten-year old marriage between Jones and Frankfurt-based Philipp Holzmann AG has been beneficial to both companies.

Überblick

Deutsche Investitionen in den USA: Neue Impulse

Die Zahl der deutschen Unternehmen, die in den USA Beteiligungen erworben oder Niederlassungen gegründet haben, ist in den letzten zehn Jahren stetig gestiegen. Ende 1986 waren 28 Prozent des investiven Auslandsvermögens in den USA angelegt; zehn Jahre zuvor hatte dieser Anteil erst 12 Prozent betragen. Interessant ist auch, daß 1986 mit 2.112 Unternehmen 50 Prozent mehr Unternehmen über DM 500.000 in den USA investiert hatten als 1980. Die chemische Industrie führt dabei die Kette der Unternehmen an, gefolgt von der Automobilindustrie, der elektrotechnischen Industrie und dem Maschinenbau.

Diese verstärkten Investitionen deutscher Unternehmen sind nicht nur Ausdruck der immer enger werdenden Wirtschaftsbeziehungen zwischen den beiden Ländern, sondern spiegeln auch die Tatsache wieder, daß deutsche Firmen inzwischen in Unternehmensgrößen hineingewachsen sind, für die sich nur noch im internationalen Geschäft größere Ausdehnungsmöglichkeiten finden lassen.

Warum gerade die USA eine so große Anziehungskraft besitzt, erklärt sich einmal in den Ähnlichkeiten, und zum anderen in den Unterschieden. Beide Volkswirtschaften sind strukturell ähnlich und verfügen über hochentwickelte, leistungsfähige Infrastrukturen. Forschungs- und kapitalintensive Wirtschaftszweige überwiegen in beiden Ländern.

Unterschiedlich, und damit besonders reizvoll, ist jedoch die Größe der beiden Wirtschaftsräume. 1986 war das reale BSP in den USA mit 3.215 Mrd. Dollar mehr als 3,5 mal so groß wie das deutsche (888 Mrd. Dollar). Immer noch ist die USA der größte Binnenmarkt der Erde. Die Wachstumsrate der amerikanischen Inlandsnachfrage war im Jahresdurchschnitt 1971/86 preisbereinigt etwa doppelt so hoch (3 Prozent) wie die deutsche (1,6 Prozent).

Die Kundennähe hat sich als entscheidender Faktor für erfolgreiche Geschäftstätigkeit herausgestellt. Nur eine Absicherung mittels eines eigenen Vertriebsbüros oder einer Produktionsstätte erlaubt eine verläßliche Lieferung und Wartung der Produkte. Damit bieten sich für deutsche Unternehmen nach wie vor große Chancen auf dem amerikanischen Markt. Die qualitative und technologisch hochwertigen Produkte der Deutschen werden auf dem vielschichtigen US-Markt immer Abnehmer finden. ❑

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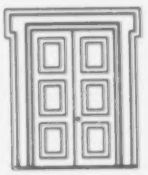

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Neueste Entwicklungen der Investitionen deutscher Unternehmen in den USA

German Direct Investment in the United States—Current and Future Trends

Christian Strenger
Managing Director,
Deutsche Bank Capital Corp.

After a rush of German direct investment to the U.S. in the late 70's, and some multi-billion dollar investments in 1981, 1985, and the last two years, a different attitude seems to have set in. In the Sixties and early Seventies, most German corporate direct investors in the U.S. seemed to be primarily attracted by the big North American markets as an outlet for their products. There was a predominance of manufacturing companies entering the country. Many started their own greenfield plants relying primarily on proven German engineering, design and manufacturing technology.

After a few years, disappointments were plentiful as the fascination with the sheer size of the U.S. (and Canadian) markets and the belief in their unlimited absorption capacity created pitfalls for many German entrepreneurs. While the well established U.S. subsidiaries of German multinationals generally fared well, the size of the U.S. market boomeranged on smaller companies unable to penetrate the market with their own sales force with a purist approach versus the rather flamboyant psychology of marketing in the United States. Many companies relied so much on the technical qualities of their products, which were highly successful in Europe, that they overlooked the aspect of *over engineering* and consequently the price/quality relations which American customers and consumers are willing to accept. There were also various attempts to *Americanize* German products but frequently the market did not understand why a premium should be paid for what was then viewed as a non-German product.

German companies have come to learn from such experiences. Many companies in the U.S. with a German background have become very skillful in adapting to the American way of life and the American way of marketing, without giving up the technology edge of their German product design. Also, the dangers of the huge U.S. marketplace with its big geographical dimensions are now well recognized. Many German investors have become artful niche players, concentrating on selected regional markets and are comfortable with such important American sales techniques as installment sale financing, vendor leasing, cash rebates and other incentives used by retail-oriented businesses.

. . . the dangers of the huge U.S. market place with its big geographical dimensions are now well recognized.

Currently, the German appetite for direct investment in the United States has clearly rekindled. In 1987, the volume of direct investment tripled as compared to 1986 and exceeded $4 billion (this number excludes the increase in investment in existing subsidiaries by internal growth). Once complete statistics are available for 1988, it will

most likely be another strong year for German expansion in the U.S. (influenced largely by the $2.8 billion purchase of Celanese by Hoechst).

The current favorable trend is fueled by a number of factors. On the surface, it seems that the relatively weak dollar is a major driving force behind this development. However, more importantly, many German companies have enjoyed good profitability recently and are sitting on significant amounts of liquidity which is looking for investment in promising markets. While *Europe 1992* makes many German companies look for industrial and commercial expansion there, the drive to the U.S. is unchecked. In the case of acquisitions, the relatively low stock exchange valuation of many American companies and the post-crash price/earnings multiples looked and still look attractive when compared to German standards. Last, but not least, European corporate investors have become increasingly aware of the United States as a low tax country when they compare the overall tax burden of a U.S. corporation with that prevailing in Germany.

Future Trends

Which trends in German direct investment in the U.S. will prevail in the 1990s? Clearly, corporate investors will be more selective. Gone are the days when it was just important to have a *U.S. presence*. There will still be new arrivals, and it is often amazing to observe how newcomers from middle sized and even small German companies, with proper advice, adapt quickly and successfully to the requirements of the U.S. environment. The bulk of future German direct investment in the U.S. will be (sometimes significant) additions to, and restructuring of, existing businesses.

Many U.S. subsidiaries enjoy a faster growth rate than that of their German parents where domestic growth is limited by market size and market saturation. While there are growth opportunities for many German companies in a liberalized *1992* EC market, the United States will remain a favored investment target of most German companies. It would not be surprising to see a particularly strong emphasis in the trading, distribution, and other service sectors in the Nineties.

. . . many German companies can no longer export their products to the U.S. at profitable margins.

In the meantime, with the dollar at some 50% of its 1985 peak, a refocussing has to set in. First, many German companies can no longer export their products to the U.S. at profitable margins. The trend to shift manufacturing to America to preserve domestic market positions should therefore accelerate. Secondly, and more importantly, because of the relatively cheap dollar many German companies have discovered that they can manufacture in the U.S. and supply their traditional EC export markets out of the U.S. at cost levels below German manufacturing costs. Of course, manufacturing cannot be shifted back and forth solely on the basis of exchange rates and many companies may, for product and U.S. market share reasons, not have this option at all (e.g. German luxury car makers). But it generally pays for companies to pursue a dual strategy with regard to German/U.S. manufacturing.

This also applies to third markets: there are examples of German companies supplying Asian markets from their U.S. subsidiaries. It is too early to say whether these U.S. exports generated by non-U.S. companies operating in the United States will have a significant positive impact on the U.S. trade deficit. But the possibility is clearly there.

New Sources of Capital for U.S. Expansion

The volume and pace of German direct investment in the United States in the next years and the expansion of existing U.S. subsidiaries are likely to cause significant changes in capital flows across the Atlantic. Despite significant inflows of investment capital continuing to come from Germany to the U.S., in the coming years (particularly currency induced) we will also see a stronger shift to the domestic U.S. equity and debt markets for the financing of U.S. assets.

Traditionally, corporate newcomers to the United States have relied on equity financing from the German corporate parent or the owner family coupled with conventional bank financing in the U.S. and/or from German

The trading floor of the New York Stock Exchange. American financial markets could offer ample financing opportunities for German companies in the U.S.

sources. A significant number of German-owned manufacturing facilities were financed with tax-exempt industrial development bonds which also involved U.S. domestic lenders; unfortunately, the availability of this advantageous instrument might disappear after 1989.

To finance the expansion of existing U.S. subsidiaries, German companies are now counting on more refined financing techniques. For U.S. subsidiaries with moderate growth, it might work to rely on normal (balance sheet) bank financing, private placements, inter-company borrowings and, of course, on internally generated cash flows; rapidly expanding German businesses in the U.S. cannot. Competing group expansion projects in Germany or elsewhere in the world will see U.S. subsidiaries turn increasingly to U.S. domestic markets for long-term funding. Thus we have recently seen funding techniques by U.S. subsidiaries in the form of asset-backed securities and off-balance sheet financing in the public markets (Volkswagen and Spiegel), and conversely we have seen U.S. subsidiaries with global name and brand recognition borrow in the Eurobond markets for their U.S. domestic financing needs (Mercedes-Benz Credit Corporation). Hoschst-Celanese Corporation was the first German-owned U.S. company that successfully issued public debt on its balance sheet.

Other German companies have used innovative lease financing of long-term assets including cross-border structures that have resulted in significantly lower financing costs. German companies have also explored new ground with innovative novel stock financing structures for their U.S. businesses (Herlitz, REWE-Leibbrand) whereby lower financing costs are achieved by utilizing the dividends-received deduction available to investors which results in lower after-tax dividends. If a German subsidiary currently is not a U.S. taxpayer due to tax loss carry-forwards, the deductibility of interest expense for tax purposes would otherwise go unutilized. These non-voting redeemable preferred stock financings make good use of otherwise unused initial tax losses and strengthen the equity base of U.S. subsidiaries.

On the *equity* side, American financial markets, with a new issue volume of $15 billion (1987), offer ample financing opportunities for German companies. Tapping the U.S. stock market offers financing and cost of capital advantages for European companies. Important European

To finance the expansion of existing U.S. subsidiaries, German companies are now counting on more refined financing techniques.

(but no German) corporations are listed on the U.S. stock exchanges and actively traded with ample liquidity assured by means of a broad investor base which will only be accessible through a public offering. The generally higher stock market valuation could also positively influence a German company's stock market rating with the effect of achieving lower cost of capital. A U.S. listing also provides German companies with enhanced visibility in the U.S. and the opportunity to use equity or equity-linked financing for acquisitions as well as equity linked compensation opportunities for local management.

German companies have, however, not made use of the public U.S. equity markets. What are the reasons for this obvious hesitation to tap the largest equity market in the world? Shares that are offered to the public and traded on a stock exchange have to comply with the requirements of the Securities and Exchange Commission. The registration process and the required offering prospectuses demand more disclosure than is customary for listing in Europe. However, the new EEC guidelines match most of the U.S. requirements such as the consolidation of significant foreign subsidiaries as well as separate revenue and profit reporting divided along regional and geographic lines. The S.E.C. and U.S. stock exchanges have made considerable concessions in the past such as dropping the requirements of inflation adjustments and other disclosure requirements.

German companies have. . . not made use of the public U.S. equity markets.

Despite the continued existence of other obstacles, a U.S. listing becomes an increasingly cost-efficient and attractive way for German companies to raise capital. In the recent past, German companies like Daimler Benz and VEBA have been able to place privately with large U.S. institutions an amount of more than DM 1 billion. These placements need no SEC registration and have met with good success (despite the October 1987 crash a large amount has remained in the hands of the original investors). This important way of raising capital cannot, however, fully replace the funding possibilities of a full public offering which would be particularly suitable for a larger

The Montvale, New Jersey headquarters of Mercedes-Benz of North America. Mercedes-Benz Credit Corporation has borrowed in the Eurobond markets for its domestic financing needs.

acquisition (where an exchange into shares could then be considered).

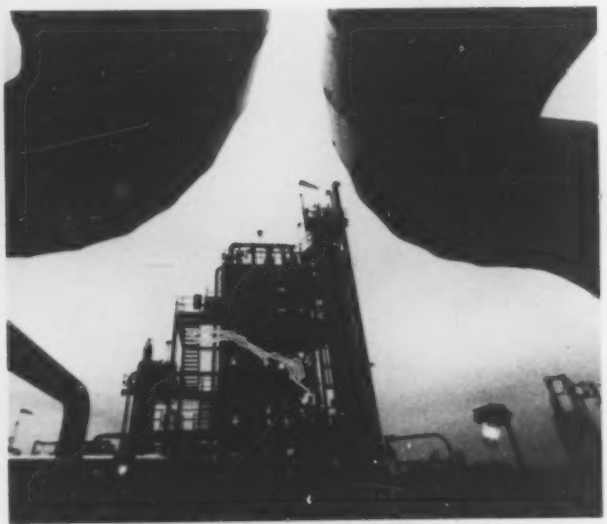
A different alternative represents the direct financing of U.S. subsidiaries through placement of part of their shares. In 1987, two other German corporations (Hako Minutemen, and Spiegel), tapped the U.S. equity markets in this way. With only a limited amount of the (voting) stock being placed with investors, there is no negative impact on the ownership structure. Furthermore, there are significant advantages such as performance-linked compensation of local management and the visibility of a German subsidiary in the U.S. markets.

The ability to tap the U.S. equity markets will provide German companies with a strong underpinning for expansion in the U.S.

German Acquisition Philosophy in the U.S.

The ability to tap the U.S. equity markets will provide German companies with a strong financial underpinning for expansion in the U.S. At the same time German policies with regard to large M&A transactions are undergoing noticeable change. When compared to the aggressive acquisition policy of U.K., Canadian, Dutch, Japanese and recently Swiss companies, German corporations have been rather conservative in their style.

Will there be hostile U.S. takeovers by German companies? This is hard to predict. Generally, the German mentality leans toward cooperation with a target's management and board of directors. The prevailing attitude is to come to a friendly agreement with the management of the target, its shareholders and its customers and to behave *well* in a foreign country. However, it is quite possible that the much more aggressive styles of neighboring European competitors will ultimately rub off on German corporations. Already, there are signs of successful M&A battles not against the target company but other foreign suitors—the most prominent examples being Beiersdorf and Heidelberger Druckmaschinen who successfully outbid Japanese competitors in 1988. Others may follow or may be forced to follow by actions of foreign or U.S. competitors.



BASF Corporation plant in Geismar, Louisiana. BASF is a major German investor in the United States.

In the final analysis, it is hard to determine whether a bid is friendly or hostile because a target-company's management will generally agree to a *friendly* ending after resisting a lower (and then unfriendly) bid. With the recent surge in Leveraged Buy-Out (LBO) transactions in the U.S., German companies may wonder whether the use of such debt-financing techniques and the dollar volumes achieved can be regarded as sound. Hostile transactions of this kind may paralyze management for months and shift the focus from sound business decisions to *artificial* financial engineering. The LBO-concept as such has, however, definite merits and may well be used by German companies since it allows the structuring of a U.S. acquisition or buyout in a manner not yet conceivable in Europe.

The Task for the Nineties

What will German corporations have to do in the next few years to solidify their U.S. presence and to keep up with their American and foreign competition?

Looking at numbers, by the end of 1988 German companies owned total assets in the U.S. in excess of $22 billion, generating total U.S. sales in excess of $75 billion. While this sounds impressive, Germany is really only Number 5 in terms of foreign corporate investment in the U.S.—behind Canada, the United Kingdom, The Netherlands, and Switzerland.

This is clearly not in line with the importance of German industry in world markets, meaning that Germany has to catch up by acquisition, U.S. expansion, or both if it wants to be on equal footing with its foreign competitors. Another observation is the unusually high historic reliance by German-owned U.S. companies on parent equity financing: Their debt/equity ratio is considerable more conservative than that of other European owned U.S. businesses. While this looks positive on the surface, it limits growth as capital demand increases in a global market approach which large companies will have to take in light of European, U.S. and Asian market developments. A wise utilization of the opportunities created by the market for leveraged debt financing complements the options for attracting long-term funds.

. . . by the end of 1988 German companies owned total assets in the U.S. in excess of $60 billion, generating total U.S. sales in excess of $75 billion.

The establishment and expansion of activities in the U.S. in the wake of the implementation of a global busi-

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2. Germany accounts for more than 40% of electrical engineering in the EC, and one-fourth of all Germans active in electronics and electrotechnology work in Bavaria.

3. Bavaria is the semiconductor center of Germany and Continental Europe. Nearly all main semiconductor manufacturers have major production facilities or their European headquarters in the state.

4. An exceptionally high concentration of user industries of advanced technology is in Bavaria and at its doorstep. Heading the list are electrical and mechanical engineering, automakers, and aerospace industries.

5. Munich, the state capital, is the site of many trade exhibitions, including Electronica – Europe's leading exhibition for components and modules – and Productronica – Europe's largest fair for electronics production installation.

6. Bavaria employs more people in R&D in the industrial sector than in any other state. It is the home of the world-famous Max-Planck Institute and Fraunhofer-Gesellschaft as well as many research facilities for microelectronics and biotechnology.

Take a close look at Bavaria. You might be surprised to see how many church bells are operated electronically. And how many other attractive opportunities Bavaria has to offer.

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ness strategy by German corporations will require increased use of the U.S. financial markets, also to enhance the market profile of German companies in the U.S. Being the most developed capital market of all the industrialized countries, the U.S. financial market is appealing due to its liquidity, dynamism, innovative strength, and its wide range of cost-efficient and many-faceted financing instruments. In order to make good use of these opportunities, no investments should be undertaken without careful financial planning and information on financing opportunities and techniques.

Of course, the relative attractiveness of financing alternatives varies over time due to changes in tax legislation and market practice. It is sensible, therefore, to seek individual advice of a German bank in this country which can combine extensive experience in the U.S. with a knowledge of the German environment and customs. ■

Überblick

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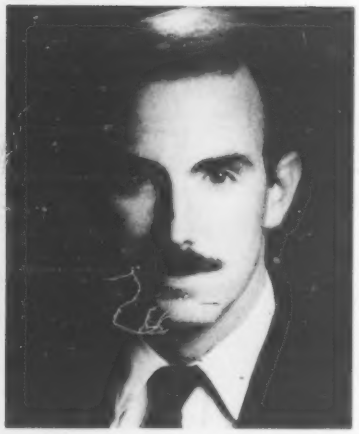
Die Bewertung von US-Unternehmen aus der Sicht ausländischer Kaüfer

How to Avoid Paying Too Much for a U.S. Company



Timothy C. Dunton
and
Anthony C. Paddock
Benchmark Valuation Consultants
Peat Marwick, New York

Firms outside the United States have traditionally acquired U.S. companies for strategic reasons. The relative stability of the U.S. political environment and the growth and diversity of the American economy have been particularly attractive for companies based in countries experiencing political instability or slow growth. Because it is often very difficult to penetrate a new market *de novo*, acquiring an existing company is a relatively quick and inexpensive alternative.

Over the past 20 years, German companies have been among the leading foreign direct investors in the United States. By the end of 1986, the Department of Commerce estimates that total German direct investment in this country came to $17.4 billion, ranking it only behind Great Britain and The Netherlands. Indeed, by the end of 1986, 28 percent of German investment in fixed assets abroad were in the U.S., compared with just 12 percent ten years earlier, and a little more than 53 percent of this aggregate had been placed in the manufacturing sector.

In the past two years, there has been a dramatic increase in the incidence of foreign purchases of U.S. companies. A number of factors have stimulated this interest on the part of foreign acquirers:

- The continued weakness of the U.S. dollar has made investment in the United States relatively inexpensive. The dollar sank to record lows in 1987, falling 24 percent against the Japanese yen and 18 percent against the West German mark. Though the dollar recovered somewhat in the first half of 1988, by year end it had fallen below 1987 levels.
- The drop in the U.S. corporate tax rate, from 46 percent to 34 percent, has made the tax climate in the United States, already less burdensome than in many other countries, even more attractive.
- Since the dramatic decline in the U.S. stock market in October 1987, equity interests in both public and private U.S. companies can be bought at prices that are historically *cheap* in relation to earnings. The average price/earnings ratio for companies in the Standard & Poor's 500 index at the end of 1987 was 14.1 compared to 20.3 in September 1987.
- Interest rates have fallen to a relatively low level in the United States, and have remained low compared to those in other countries, making it cheaper to raise capital in America.

There has been a recent rush to buy U.S. companies in order to take advantage of the currently favorable regulatory climate in the United States. However, as foreign ownership and the U.S. trade deficit have grown, U.S. pro-

tectionist sentiment has also increased. The U.S. Congress is considering legislation which includes provisions restricting foreign ownership. For these reasons, some foreign firms are deciding to make their acquisitions now rather than face possible restrictions later.

Determining Value in the United States

Though companies may be acquired at apparently attractive prices in the United States in terms of foreign exchange and other international considerations, questions of value go beyond this. What is a fair price in U.S. dollars? Since the acquired company will be operating within the U.S. economy, its profit potential, and thus its value, must be judged in terms of the U.S. market. This can present problems for companies outside the United States if they are not familiar with the pricing of businesses in the United States. The determination of a reasonable price to pay is especially important if the target company is not publicly traded; and, if it is publicly traded, the determination of a reasonable price is also needed to ascertain how much of a premium to pay over the traded market price.

The determination of a reasonable price to pay is especially important if the target company is not publicly traded . . .

In the case of real estate, oil and gas, timber, or other companies where significant value lies in physical assets, the book value of the company's assets is adjusted to reflect their fair market value. The resulting adjusted book value of the company then becomes an important consideration in determining the value of this type of company on a going-concern basis.

The value of a typical industrial or service company, however, lies more in the profitability of its business than in its assets. Therefore, a detailed analysis of what makes the company profitable must be performed. A visit with company management, if possible, is the best way to gain an understanding of how the company operates. Trends in the company's financial performance, its dependence on customers or suppliers, depth of management, labor relations, compensation policies, competition, and other special circumstances are among the factors that can best be explored in such a meeting.

If a target company is publicly traded, the determination of the premium to be paid is the major challenge.

A number of other fundamental questions also must be considered, such as opportunity to improve efficiency, adequacy and condition of operating facilities, plans for future growth and development, and the resources needed to meet those objectives. In addition, the differences between U.S. markets and laws and those in the home country of an acquiring company must also be recognized and considered, as they may apply to the specific transaction being analyzed.

In order to address the primary issue of the appropriate price to pay, the company's financial statements are analyzed, and its performance ratios are compared to those of publicly traded companies that can be used for comparative purposes. These public companies are scrutinized to determine their similarities and dissimilarities to the company being valued. Nonrecurring items are eliminated. Inventory accounting methods may be adjusted to ensure that the companies are compared on the same basis. Trends in sales, costs, and earnings are analyzed. These factors are considered in relation to the prices being paid in the market for the shares of these publicly traded comparative companies.

If such information is available, often the best approach to valuing U.S. companies is to examine recent acquisitions of comparable companies. Various ratios based on the acquired company's purchase price, such as price/earnings, price/cash flow, and price/book value, are computed. After appropriate adjustments for any differences between the companies, these ratios can be applied to the company being considered for acquisition.

In the case of private target companies, adjustments to earnings must frequently be made to account for relatively high compensation levels or other perquisites that may exist in comparison to publicly owned companies in the same industry. After taking into account the target company's operating results and outlook, and comparing them to companies being used for comparative purposes, the ratios that the public market has put on the comparable companies are used as bases for selecting market ratios to apply to the target company. Then, a price for the shares, as if they were publicly traded, is determined.

. . . often the best approach to valuing U.S. companies is to examine recent acquisitions of comparable companies.

The resulting price per share as calculated by this method, however, reflects the price paid for a minority interest. It does not include the premium typically paid for control of a successful company. One way to determine an appropriate control premium is to examine the

premiums paid over public per-share prices in acquisitions of comparable companies. The amount of a control premium further depends on the prospects of the target company and the advantages of control that may accrue to the buyer. Premiums often range from 20 percent to 70 percent over the minority value.

Another method commonly used to establish the value of a U.S. company is the discounted-cash-flow approach. This approach is based on the theory that the value of an investment is the value of its future stream of cash flows, discounted to present value. Here, the analysis of the outlook for the target company is critical. Future cash flows must be projected and then discounted at a rate reflecting the risk factors associated with the prospective investment. Such projections are not as useful if earnings have been erratic or non-existent.

No matter which approach is utilized, it is always necessary to quantify the more subjective factors that bear on the prospects of a company. This requires experienced judgment. The outlook for the economy and the target company's industry, as well as the quality of management and the company's ability to compete, all play a role in determining the price that should be paid for the company.

After establishing prices through using a number of different approaches, each indicated price is weighted

. . . it is always necessary to quantify the more subjective factors that bear on the prospects of a company.

according to how appropriate the approach used to determine it is considered to be under the circumstances. The result indicates what the target company is worth in the United States.

Determining the Value to You

Though a U.S. company must be judged by U.S. standards, a company based outside the United States may be willing to pay more for it as a result of considerations specific to the acquiring company or its home country. For example, American accounting regulations require companies to amortize goodwill (the excess of the purchase price of a company over the fair market value of its net assets) against earnings without allowing a tax deduction for this, while most other major industrial nations do allow a tax deduction. Consequently, the improved after-tax cash flows of foreign companies often allow them to pay a higher price for U.S. acquisitions than might be acceptable for a U.S. company to pay.

A foreign company may also seek a foothold in a related and expanding U.S. industry, or may want to achieve a higher return than is available in its home country. Therefore, a non-U.S. company may be willing to pay more for a U.S. company than would be justified if the target company were judged purely on a stand-alone basis. Such synergies can have a great impact on value to a specific buyer.

The continued weakness of the U.S. dollar has made investment in the U.S. relatively inexpensive.

For example, a major European producer and supplier of medical products desired a larger marketing position in the United States, but did not have the necessary U.S. Food and Drug Administration approval to operate in the United States. On learning that one of its customers, an American medical supply company, needed additional capital, the European company made a substantial equity investment in the American company in order to gain access to the U.S. market and satisfy its customer's capital needs.

Many foreign acquirers also have a longer-term orientation than their American counterparts. As a result, they are willing to pay more for an appropriate, but currently poorly performing, company in order to profit from a turnaround situation.

. . . the improved after-tax cash flows of foreign companies often allow them to pay a higher price for U.S. acquisitions than might be acceptable for a U.S. company to pay.

On the other hand, countervailing considerations sometimes indicate that less than the fair market value should be paid for a U.S. company. For example, an acquirer outside the United States may have potential foreign currency exposure, as when it borrows money in one currency and invests in another. Alternatively, current U.S. management may not be willing to work for foreign owners, especially if the current managers are also the current owners. Also, higher salaries in the United States may cause dissension elsewhere in the acquiring company. Such factors can affect the company's performance after a merger, and therefore should be taken into consideration in determining the price to pay.

If an investor pays too much for a company, the

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expected return on investment cannot be achieved. If the asking price is too high, based upon a sound pricing analysis, and the difference cannot be negotiated, good business judgment dictates walking away from the deal.

Although U.S. companies look particularly attractive to a wide variety of international investors at the moment, acquiring the right company at the right price requires diligence, knowledge, and good judgment. Proper pricing often makes the difference between success and failure for foreign corporations entering the American market. By making a thorough investigation of the factors discussed here, savvy purchasers should be able to benefit from the many opportunities currently available in the United States. ■

Proper pricing often makes the difference between success and failure for foreign corporations entering the American market.

Überblick

Die Bewertung von US-Unternehmen aus der Sicht ausländischer Kaüfer

In den letzten zwei Jahren wurden immer mehr US-Unternehmen von Ausländern aufgekauft, nicht zuletzt unterstützt durch die jüngsten gesetzgeberischen Entwicklungen in den USA. Die Frage, welcher Preis für ein solches Unternehmen angemessen ist, geht jedoch über den unmittelbaren Vorteil des günstigen Wechselkurses hinaus.

Wenn auch ein Unternehmen nach objektiven, US-Maßstäben bewertet werden muß, so ist es durchaus möglich, daß es aus der Sicht eines ausländischen Unternehmens einen subjektiv höheren Wert darstellt, sei es, weil das ausländische Unternehmen in den USA Fuß fassen will oder sich dort eine höhere Rendite verspricht als im eigenen Land. Oft spielt auch eine Rolle, daß ein ausländisches Unternehmen längerfristig ausgerichtet ist und daher willens ist, für eine gegenwärtig weniger profitable Firma mehr zu zahlen, als dies nach "normalen" Geschäftsmaßstäben gerechtfertigt sein mag, um zu einem späteren Zeitpunkt von der Chance einer Sanierung zu profitieren, solange das betreffende Unternehmen nur eine Ergänzung ihres Produktangebots darstellt.

Dennoch sollte man bei allen Verhandlungen im Auge behalten, daß keine zufriedenstellende Anlageverzinsung erzielt werden kann, wenn nach Abwägung aller finanziellen und subjektiven Faktoren der Übernahmepreis zu hoch ist. Es empfiehlt sich, die hier dargelegten Aspekte genau zu prüfen. Nur dann können kluge ausländische Anleger von den zahlreichen Gelegenheiten profitieren, die sich derzeit in den USA bieten. □

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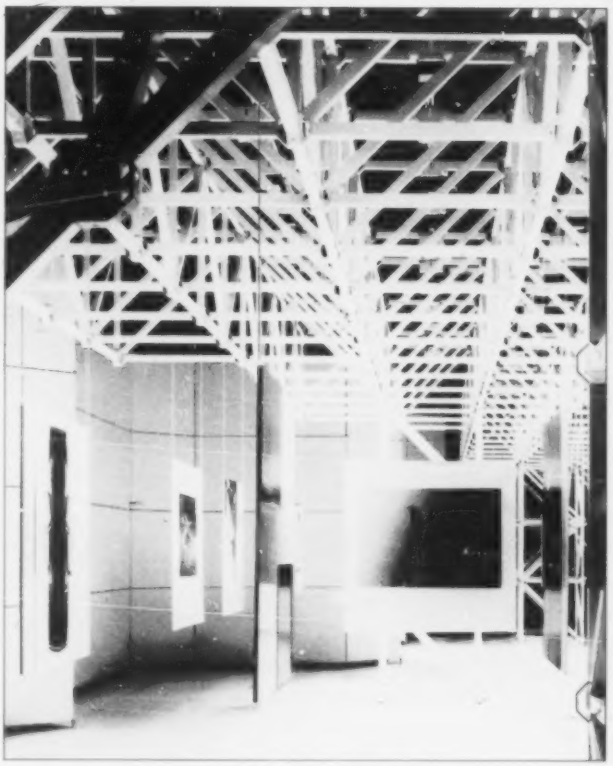

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Änderungen der Steuergesetze in bezug auf ausländische Direktinvestitionen

Tax Consequences and Considerations That Foreign Direct Investors Should Know About

Marianne Burge
Partner
Price Waterhouse

and

Robert L. Anderson
Partner
Price Waterhouse

Tax developments in recent years have changed the fundamentals of foreign direct investment in the United States. Lower tax rates have been offset by a broader tax base, the closing of perceived loopholes, and much more complicated and expensive tax compliance. The following developments, which we will discuss in detail, are important to the German direct investor:

- The United Stares has become a low-tax-rate country, particularly when compared to Germany. U.S. corporations are taxed at 34 percent, compared with the 36 percent/56 percent rates in Germany.
- The U.S. now has a branch tax, which cannot be imposed on German investors under the current U.S.-Germany Tax Treaty, but which will apply at 5 percent when the new treaty becomes effective.
- The U.S. has terminated its income tax treaty with the Netherlands Antilles, thus eliminating a traditional route for investment in the U.S., especially in real estate. However, that part of the treaty granting exemption from withholding tax on interest was reinstated.
- The U.S.'s new *super royalty* approach to transfer pricing of intangibles brings uncertainty to royalty arrangements (but also provides an opportunity for German investors with U.S. subsidiaries).
- Under the FIRPTA rules, foreigners now are taxed on gains from the sale of U.S. real estate.

The United States has become a low-tax-rate country, particularly when compared to Germany.

- U.S. estate tax rates for foreigners have increased.
- When shares of a U.S. corporation are purchased, the buyer can only increase the tax basis of the underlying assets in limited circumstances.
- It is now almost impossible to sell off unwanted assets on a tax-free basis in an acquisition of a public company.

We discuss these developments from the viewpoints of German individual and corporate direct investment in the United States.

President Ronald Reagan signs the 1986 Tax Reform Act.

The 1986 tax reform imposed a 30 percent tax on the after-tax income that branches of foreign corporations earn in the U.S.

Acquiring a U.S. Business

The tax cost of both selling and acquiring U.S. businesses is going up for several reasons. And in many cases the seller will try to pass his added tax cost on to the buyer through a higher sales price.

As part of the 1986 Tax Reform Act, taxes at the corporate level no longer can be avoided when a company sells substantially all its assets and then liquidates. The company is taxed on the sale, and the shareholders are taxed again when the company is liquidated.

In spite of the tightening up of U.S. tax law on acquisitions, 1988 saw more major buyouts than ever before, particularly of large public companies. Individuals are now taxed at 28 percent on capital gains, compared with 20 percent before the 1986 Act, but they are still selling. President-elect Bush has campaigned for a capital gains tax reduction to 15 percent. Chairman Greenspan of the Federal Reserve Board has suggested that perhaps the U.S. is too generous in allowing acquiring companies to deduct interest on acquisition indebtedness. This is one of the things we may have to worry about in 1989.

The tax cost of both selling and acquiring U.S. businesses is going up for several reasons.

U.S. Branch Tax

The 1986 Tax Reform Act imposed a 30 percent tax on the after-tax income that branches of foreign corporations earn in the U.S. The tax is not applied to the extent that income is reinvested in the branch operation. Thus the tax is much like a tax on profit repatriation, except that it also applies to profits retained in the U.S. but not used in the business (e.g., treasury bills in excess of the branch's need for cash reserves).

. . . the U.S. follows the OECD model treaty in supporting a 5 percent withholding tax on direct investment dividends, while the German normal treaty withholding rate on dividends paid to foreigners is 15 percent.

The current German-U.S. Income Tax Treaty bars a branch tax, but the treaty is being renegotiated and is expected to authorize a 15 percent branch tax. In practice, this will affect mostly the German banks and real estate investments, as most other major German business activity in the U.S. is conducted through U.S. corporate subsidiaries.

New Income Tax Treaty

The two governments have been renegotiating the German-U.S. Income Tax Treaty for many years. The main reason for delay has been U.S. policy: U.S. investors in German corporations feel they should receive some of the imputation tax credit attributable to dividend distribu-

tions. German shareholders get full credit against their individual income tax liabilities for the 36 percent corporate income tax on distributed earnings. The U.S.-U.K. Treaty—and several other U.K. treaties—provide either full or half refunds of the imputation amount. The U.S. treaty with France gives an imputation credit for the *avoir fiscal*. Australia grants no imputation refund, but it has eliminated withholding on dividends paid to nonresidents.

The German policy has been that foreign shareholders benefit enough as a result of the reduced tax rate on distributed profits. But the apparent unilateral lowering of German portfolio withholding to 10 percent (see below) is a concession on this point. The rate on retained profits is 56 percent, going to 50 percent in 1990. In addition, the U.S. follows the OECD model treaty in supporting a 5 percent withholding tax on direct investment dividends, while the German normal treaty withholding rate on dividends paid to foreigners is 15 percent. In U.S. treaties, *direct investment* refers to 10 percent-or-more ownership by corporations. Less-than-10 percent ownership by corporations (and all ownership by individuals) is referred to as a *portfolio* interest.

As we go to press, the parties are reported to have agreed to reduce withholding tax on dividends. Withholding on direct investment dividends (currently 15 percent) would be reduced to 10 percent from January 1, 1990 and to 5 percent no later than from January 1, 1992. As noted, 5 percent withholding on direct investment dividends is the normal rate for U.S. and most OECD

The super royalty may have been aimed at Puerto Rico, but the concept applies to all foreign subsidiaries.

treaties. The new treaty is reported to provide 10 percent withholding on portfolio dividends paid by German companies (U.S. portfolio withholding remains 15 percent). Other provisions include a treaty shopping clause (to keep third-country persons from getting treaty benefits by owning a U.S. or German company) and expanding the coverage to include excise taxes (important primarily to German insurance companies doing business in the U.S.).

German investors will be interested in many other features of a new treaty, including the dividend rate for U.S. regulated investment companies (RICS).

The new treaty, which has not yet been signed, published, or ratified, must be approved in its entirety.

Super Royalty for Intangibles

In 1986 the U.S. government changed the intercompany pricing rules to provide that when an intangible is transferred (by sale or by license) the income must be commensurate with the future income attributable to the intangible. The new statute is interpreted by the Internal Revenue Service as permitting a subsequent change in a contractual royalty rate for a super-successful intangible. Hence the name *super royalty*.

The theory is that a potentially super-successful intangible would not be licensed to an unrelated party under a long-term, no-revision contract. Hitherto, a price has been considered arm's length (and thus not subject to adjustment) if it is fair in light of the facts known at the time of the transfer. An extreme example is the transfer of a routine intangible (for a routine price) which later turns out to cure the common cold. The super royalty approach would permit a later price adjustment.

The genesis of the super royalty was the Treasury's frustration over several court decisions that the Treasury believed let drug manufacturers transfer income attributable to intangibles to Puerto Rican tax holiday subsidiaries. The Treasury convinced Congress that the only way to cure this perceived abuse was to let the IRS adjust the price of intangibles to reflect current income, regardless of the transfer price being fair at the date of the transfer.

Officials of several countries have indicated informally that super royalty adjustments are not arm's length . . .

Under the 1986 tax law, the IRS can adjust the royalty or purchase price of an intangible, at a future date, to reflect the then value of the intangible (as demonstrated by the income the intangible generates for the licensee). The super royalty may have been aimed at Puerto Rico, but the concept applies to all foreign subsidiaries.

Super royalty adjustments may not cause double taxation when both parties are U.S. taxpayers because the other party will get an offsetting income reduction. But eliminating double taxation is more complicated and more tenuous when the other party is not a U.S. taxpayer. In fact, absent an income tax treaty, the chances of the other party getting an adjustment from its own country are nil.

The present German-U.S. Income Tax Treaty provides that, when one of the countries makes a transfer pricing adjustment, the party resident in the other country can ask that the two countries' *competent authorities* (designated Ministry of Finance and Treasury Department officials) confer and attempt to agree on a transfer price. The income tax treaties between OECD countries contain similar provisions.

Officials of several countries have indicated informally that super royalty adjustments are not arm's length and thus they are not obligated to allow corresponding deductions in their countries. Accordingly, these countries would not give relief from double taxation under the *competent authority* procedure.

The U.S. Treasury Department maintains that super royalties are merely a way of determining an arm's length price and qualify for competent authority treatment. Suffice to say that there are arguments that the super royalty does not qualify for competent authority, and Germany (and other OECD countries) may well take this position. In any event, the competent authority method for settling treaty disputes is slow and uncertain for the taxpayer.

U.S. tax reform point men: Senator Packwood and Congressman Rostenkowski.

Super Royalty White Paper

The U.S. Treasury issued a White Paper on October 19, 1988 describing how it planned to administer the super royalty. The paper reiterates the position that the super royalty does not violate traditional arm's length pricing principles, and that super royalty pricing adjustments should be treated as arms length by the U.S.'s treaty partners.

To arrive at an arms length price under the new rules, the White Paper proposes a functional analysis approach to determine each affiliate's appropriate return on investment. This approach has met with a storm of protest. Another concern is that the IRS will use the White Paper's *functional analysis* methodology to challenge prior tax returns.

Super Royalty and German Investors

While U.S. parent companies with foreign subsidiaries are upset because the IRS may seek to increase their royalties from abroad, German investors should regard the new rules as an opportunity to review their licensing arrangements.

Generally, parent companies make a lot of intangibles available to their foreign subsidiaries. Some of these are not charged for. They simply become available in the course of setting up and developing the business. German direct investors should consider the new functional analysis approach and the other concepts in the White Paper to make sure that they are charging the appropriate royalty and other fees.

Alternatively, the German investor might consider entering into cost sharing arrangements, under which several companies share the costs, risks, and ownership benefits of developing intangibles.

Investment in U.S. Real Estate

Historically, the majority of German investment in U.S. real estate has been held directly or through partnerships because German residents like the lower U.S. income tax rates for individuals and the benefits of the U.S.-German Income Tax Treaty.

Some German investors own U.S. real estate through a German corporation. Although these investors are subject to two layers of income tax, they avoid the U.S. estate tax. The Tax Reform Act of 1986, the Technical and Miscellaneous Revenue Act of 1988, and the re-negotiation of the income tax treaty between the U.S. and Germany will force many investors to update and analyze their investment structures.

1986 Tax Reform

The Tax Reform Act of 1986 did not substantially alter German investment structures because the Act attacked investors who invested through tax-haven foreign corporations, such as Netherlands Antilles companies. Through its branch-level taxes and the treaty-shopping provisions, the 1986 Act substantially increased the taxation of investors who used tax-haven foreign corporations. The branch-level provisions only tax corporations.

Those German investors who structured their investments through a German corporation (such as a GmbH)

The Tax Reform Act of 1986 did not substantially alter German investment structures . . .

are not subject to the branch-level provisions of the 1986 Act because they would be qualified residents of Germany (i.e., the investors are not treaty-shopping) and the non-discrimination clause of the U.S.-German Income Tax Treaty currently prohibits the branch-level provisions. Importantly, as discussed earlier, the U.S.-German Income Tax Treaty has been re-negotiated. The current draft of the new treaty would allow for a branch-level profits tax of 5 percent, perhaps phased in like the withholding rate for direct investment dividends (10 percent from January 1, 1990 and 5 percent no later than from January 1, 1992). German investors who utilize a German corporation will have to consider the effect of the branch-level profits tax.

To avoid the branch profits tax, German investors can hold the assets directly, through a partnership or through a U.S. corporation. But in any of these cases, the German investor will be subject to U.S. estate tax on his U.S. assets.

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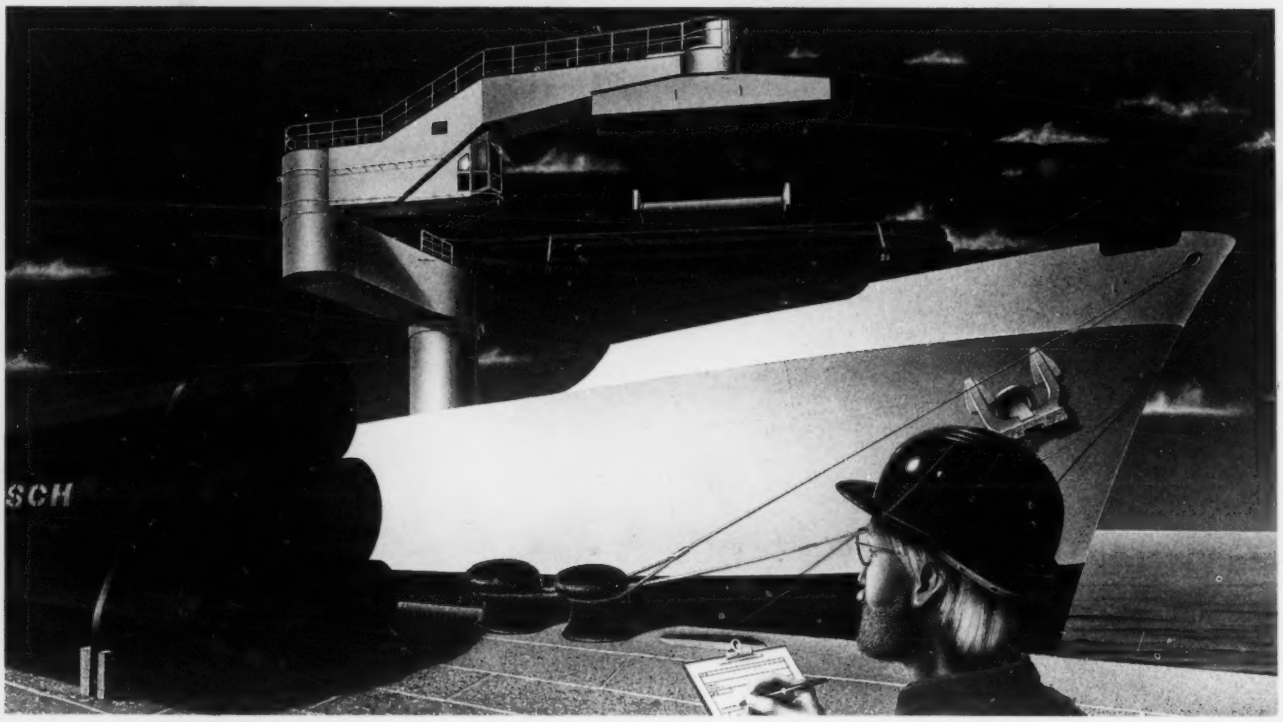

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Estate Tax

The Technical and Miscellaneous Revenue Act of 1988 significantly increased the taxation of the U.S. assets of nonresidents. Prior to this act, nonresidents were subject to a 30 percent tax on assets in excess of $2 million (with lower graduated rates on the first $2 million). The top rate now is 55 percent for the portion of the estate over $3 million (with lower graduated rates on the first $3 million). The top rate will be reduced to 50 percent from January 1, 1993.

In 1980, the U.S.-German Estate Tax Treaty was negotiated. Unlike most of the U.S. estate tax treaties, the U.S.-German treaty stated that a partnership interest would be taxed wherever the property was located that the partnership owned. In the case of a German investor owning U.S. real estate, he would be subject to U.S. estate tax on the real estate held by the partnership.

When the estate tax treaty was negotiated in 1980, the partnership provisions did not cause any significant changes in the investment structures of German investors because:

(1) the U.S.-German estate tax treaty provided that U.S. estate taxes were a credit against German estate taxes on the U.S. property of a German resident, and

(2) the German tax on U.S. property often was higher than the U.S. tax.

In other words, German residents who owned partnership interests, which in turn owned U.S. real estate, generally were not subject to any additional tax. Thus, their overall estate tax liability was not affected.

Under the Technical and Miscellaneous Revenue Act of 1988, U.S. estate tax rates now are higher than the German estate tax rates. U.S. assets held by non-residents will be taxed at the same rates as U.S. citizens and residents. As a result, German investors must consider the higher U.S. estate tax when analyzing their investment in U.S. real estate.

. . .German investors must consider the higher U.S. estate tax when analyzing their investments in U.S. real estate.

The Tax Reform Act of 1986, the renegotiation of the U.S.-German Income Tax Treaty, and the Technical and Miscellaneous Revenue Act of 1988 have increased the cost of investing in U.S. real estate for German residents. German residents must re-evaluate their ownership structures and investigate alternative investment vehicles to minimize their costs. ■

December 22, 1988

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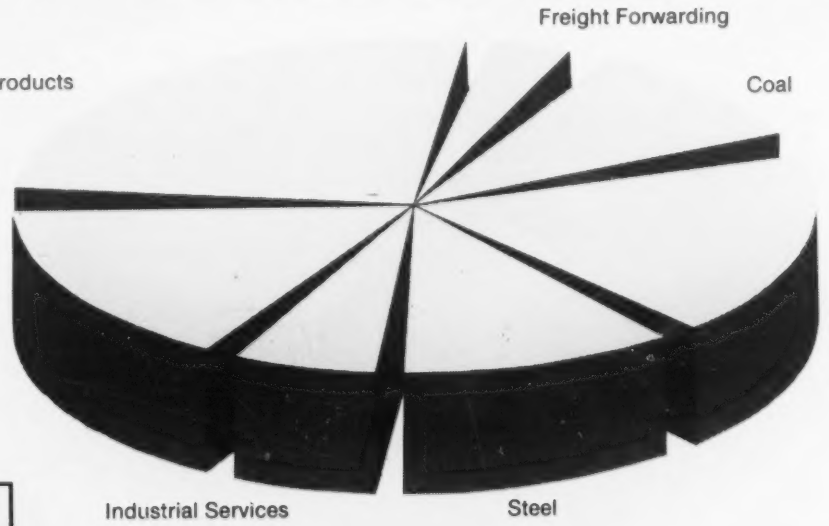

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Überblick

Änderungen der Steuergesetze in bezug auf ausländische Direktinvestitionen

Änderungen der Steuergesetze in den letzten Jahren haben die steuerlichen Grundlagen ausländischer Direktinvestitionen in den USA entscheidend beeinflusst. Einige dieser Änderungen sind fur den deutschen Investor von besonderem Interesse:

Unternehmenserwerb

Der Steueraufwand im Zusammenhang mit Unternehmensübertragungen ist höher geworden. Ein Veraüsserer wird daher häufig versuchen, diese zusätzlichen Kosten im Veräußerungspreis weiterzugeben.

Steuern auf Gesellschaftsebene können nicht mehr vermieden werden durch Einzelveräußerung des Betriebsvermögens und anschließende Liquidation. Die Gesellschaft hat nun den Veräußerungsgewinn und der Gesellschafter einen Gewinn aus Liquidation zu versteuern.

Angesichts zukünftiger steuerlicher Einschränkungen war die Zahl der Übertragungen höher als jemals zuvor, auch wenn 1988 der persönliche Steuersatz für Veräußerungsgewinne 28% betrug, verglichen mit lediglich 20% vor der Steuerreform 1986. Eine weitere steuerliche Belastung des Unternehmenserwerbs mag das Jahr 1989 bringen. Es wird zunehmend intensiver diskutiert, ob der US-Gesetzgeber nicht zu großzügig ist mit der steuerlichen Abzugsfähigkeit von Zinsen für Verbindlichkeiten aus dem Erwerb von Unternehmen.

US-Branch Profits Steuer

Mit der Steuerreform 1986 wurde eine zusätzliche Steuer von 30% auf den Gewinn eingeführt, den Zweigniederlassungen ausländischer Kapitalgesellschaften in den USA erzielen. Die Steuer wird jedoch nicht auf Gewinnanteile erhoben, die in das Geschäft der Zweigniederlassung reinvestiert werden.

Das gegenwärtige Doppelbesteuerungsabkommen Bundesrepublik-USA läßt eine solche Branch Profits Steuer nicht zu, doch wird das zur Zeit neu verhandelte Doppelbesteuerungsabkommen voraussichtlich eine Branch Profits Steuer von 5% zulassen. Diese Steuer wird im wesentlichen Banken und Grundstücksgesellschaften betreffen, die häufig in den USA über Zweigniederlassungen tätig sind.

Neues Doppelbesteuerungsabkommen Bundesrepublik Deutschland-USA

Neben der oben erwähnten Branch Profits Steuer ist nach dem gegenwärtigen Verhandlungsstand mit einer Minderung der Quellensteuer auf Dividenden zu rechnen. Quellensteuer auf Dividenden aus Direktinvestitionen (Mindestbeteiligung 10%) werden demnach ab 1. Januar 1990 auf 10% gesenkt und weiter auf 5% spätestens ab 1. Januar 1992. Das neue Abkommen wird die Quellensteuer auf Dividenden aus Portfolio-Beteiligungen an deutschen Unternehmen auf 10% mindern. US-Portfolio Dividenden unterliegen weiterhin einer Quellensteuer von 15%. Ferner wird eine Klausel über Treaty-Shopping enthalten sein und das Abkommen wird in Zukunft gewisse indirekte Steuern (excise taxes) regeln, die insbesondere in den USA tätige Versicherungsgesellschaften betreffen.

Super-Lizenz für immaterielle Wirtschaftsgüter

Die Steuerreform 1986 hat die Regeln für Konzernverrechnungspreise für immaterielle Wirtschaftsgüter geändert. Die Finanzbehörde interpretiert die neue Regelung dahingehend, daß eine nachträgliche Anpassung der Lizenzgebühr für *super*-ertragreiche immaterielle Wirtschaftsgüter möglich ist.

Das Doppelbesteuerungsabkommen sieht ein Verständigungsverfahren zwischen den Finanzverwaltungen vor, falls Verrechnungspreise die *arm's length* Grundsätzen entsprechen, durch Finanzbehörden eines der Vertragsstaaten geändert werden. Es ist jedoch zweifelhaft, ob diese neue Regel für Super-Lizenzen den *arm's length* Grundsätzen entspricht.

Für deutsche Unternehmen eröffnet die Super-Lizenz interessante Aussichten. Es kann jetzt durchaus möglich sein, US-amerikanische Tochtergesellschaften stärker oder in größerem Umfang mit Lizenzgebühren zu belasten oder Kostenbeteiligung an der Entwicklung von immateriellen Wirtschaftsgütern zu vereinbaren.

US-Grundbesitz

Die Steuerreform 1986 hatte keine wesentlichen Auswirkungen auf Grundstücksinvestitionen deutscher Anleger, da die Reform mehr auf Investoren gerichtet ist, die ihre US-Investitionen über Steueroasen tätigen. Diese werden insbesondere durch Branch Profits Steuern und treaty-shopping Bestimmungen stärker belastet. Steueränderungen in 1988 erhöhten die Erbschaftsteuer auf in den USA gelegenes Vermögen Nichtansässiger erheblich. Der Spitzensteuersatz erhöhte sich von 30% auf das 2 Millionen US-Dollar übersteigende Vermögen auf 55% (50% ab l. Januar 1993) auf das 3 Millionen US-Dollar übersteigende Vermögen. Für die ersten 2 bzw. 3 Millionen US-Dollar gelten niedrigere Sätze. Diese wesentliche Erhöhung der Erbschraftsteuern läßt ein Überdenken der bisherigen Anlagestrategie für größere Vermögen ratsam erscheinen. ❑

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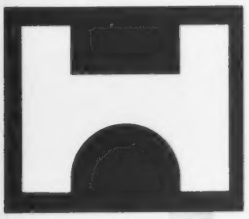

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Ausländische Investitionen in South Carolina

South Carolina's Probusiness Hospitality for International Investment

Carroll Campbell
Governor of South Carolina

Through 1987 West German firms have invested in the United States and specifically in South Carolina at unprecedented levels.

Since 1960, the first time such records were kept, German-affiliated companies have invested nearly $1.5 billion in the state, more than any other country in the world. In fact, more than 28 percent of total historical foreign investment in South Carolina has come from German concerns, with much of that investment in our upstate region.

In 1987 alone, German companies invested nearly $58 million in South Carolina, trailing only Japan and France. The year was so successful that South Carolina tripled foreign investments to set an all-time record at $619 million, accounting for fully a quarter of total investment for the year.

The South Carolina State Development Board monitors all publicly announced capital investments and jobs to measure direct economic activity by new firms locating in the state or by expansions of existing firms. These announcements are tracked in the four major sectors of manufacturing, distribution, office and headquarters, and research and development.

In 1987, South Carolina set a five-year record for investments and set a 22-year record for new jobs created. So successful was 1987, in fact, that the state led the Southeast United States and a 17-state region covered by the Southern Industrial Development Council in investments.

A Proven Success Story

Given our state's relative size, this record is indeed impressive, and contributed to the South Carolina State Development Board's being named as one of the 10 outstanding development groups in the nation by *Industrial Development & Site Selection Handbook*.

Much of this state's foreign-affiliated growth has indeed been attracted to the Upstate region, bisected by Interstate 85. Sometimes called "autobahn," Interstate 85 is also known as Tukey's Turnpike because of the success of the late Richard E. Tukey, a Spartanburg Chamber executive, in attracting more than 60 firms to Spartanburg County.

Much of this state's foreign-affiliated growth has . . . been attracted to the upstate region, bisected by Interstate 88. Sometimes called the "autobahn" . . .

Because of Tukey's efforts, 60 firms from nine nations comprise a foreign population of 4,000 management and technical people in the county. Large international firms represented in Spartanburg include Hoechst Fibers, a textile division of Hoechst-Celanese, a subsidiary of West

Lockwook Greene Engineers, in Spartanburg, South Carolina, is owned by the German firm of Philipp Holzmann AG of Frankfurt, FRG.

Germany's Hoechst AG, Michelin, the French tire manufacturer; and Alcoa Fujikura, an American-Japanese venture in the communications equipment business.

And that's just one county. The six counties that border Interstate 85—Greenville, Spartanburg, Laurens, Oconee, Anderson and Cherokee—account for 109 foreign-affiliated concerns in the state and more than 21,000 jobs.

The success of South Carolina's economic development efforts is the result of many factors, including South Carolina's location on the East Coast midway between Delaware and Florida. The state offers more than just sunny winters; it provides access to the bulk of American markets. For instance, almost two-thirds of the United State's population resides within 750 miles of central South Carolina. Within 1,000 miles are 18 of the 20 leading retail states and 19 of the 20 most industrialized states in the country.

Spartan Centre in revitalized downtown Spartanburg, South Carolina.

A Sunny Investment Climate

The state's business climate is impressive, as well. An influential report card of state's business climates released this spring by the Corporation for Enterprise Development ranked South Carolina with Virginia and Florida as the best in the region. Also, South Carolina was the only state in the region to receive an "A" in economic development policy.

Policy initiatives over the past four years include an impressive array of pro-business strategies, which include:

- reducing the corporate income tax to a rate of 5 percent a year;
- eliminating all inventory taxes;
- allowing businesses and counties to negotiate fees in lieu of property taxes in some instances;
- establishing an annual $10 million highway set-aside fund for economic development road construction; and
- providing jobs tax credits of up to $1,000 per new job, depending on the location and other qualifications.

South Carolina has long been a leader in economic development initiatives. Twenty-five years ago, our state was one of the first to put together a statewide network of technical colleges. Today, no South Carolinian is more than 50 miles from a technical college and mobile training vans can bring training programs to any location.

. . . our state-funded Special Schools Program . . . will provide training to employer's specifications at little or no cost . . .

That commitment to a trained work force extends to our state-funded Special Schools Program, which will provide training to the employer's specifications at little or no cost to the company. The program, one of the oldest in the nation, has been consistently used as a model for similar programs throughout the country.

Just as important as the task of attracting business and industry is making sure that our business climate allows them to grow and prosper. Dun & Bradstreet's 1987 figures for business start and business failure rates are a strong testament to the strength of South Carolina's economy. For instance, the state's business failure rate of 42.0 per 10,000 listed concerns is among the lowest in the country: ninth nationwide and third lowest for the South Atlantic region. Also, new business start-ups closely matched last year's performance, averaging 6 percentage points better than the rest of the Southeast and the nation.

South Carolina's manufacturing strength and range of skilled workers is reflected in an average unemployment rate lower than the national average. The state's labor force prefers to work directly with management, with a union membership rate of just over 4 percent, the lowest in the country. Consequently, average hourly manufacturing wages are indeed lower, about four-fifths the national

average, also reflecting the lower cost-of-living in the state.

South Carolina is a state that has committed the resources to make a better life for its citizens, children and communities. One way the state has invested in the future is in a five-year, $1.2 billion Education Improvement Act passed in 1984. Midway through, there's no doubt it's working: Outstanding teachers are being rewarded, basic skill test cores are up three to five times any previous achievement gains, and the number of high school students enrolled in advanced placement courses has nearly doubled.

High-Tech Infrastructure

The state also invests in its transportation system, with nearly 40,000 miles of highway and about 800 miles of interstate, all completely toll-free; five commercial airports served by domestic and commuter lines and 49 airports that can handle company planes; and about 2,700 route miles of train track, the highest concentration in the Southeast.

The port system is a recognized leader nationally and internationally. Nearly 30 percent of the cargo moving in and out of the state's ports system is South Caroline cargo. Much of it is generated by some 500 manufacturing firms employing 116,000 people that regularly use the state ports for international trade. Users of the ports of Charleston, Georgetown and Port Royal save an estimated $40 million a year in overland transportation costs by shipping through South Carolina's ports rather than having to use alternative ports outside the state.

But the South Carolina State Ports Authority's commitment goes well beyond South Carolina resident shippers. For example, the state's ports serve foreign businesses from 109 other nations. More than $8 billion of goods moves through the state ports system annually. The Port of Charleston, the largest containerized cargo port in the South Atlantic quadrant, is now the second largest such port on the East Coast, trailing only New York.

Another bonus in South Carolina is the nation's first research park system. The South Carolina Research Authority maintains three research parks that are closely affiliated with our major research universities: Clemson, the University of South Carolina and the Medical University of South Carolina.

Part of the Authority's mandate is to assist in technology management. A consortium of experts can be convened

The Port of Charleston, the largest containerized cargo port in the South Atlantic quadrant, is now the second largest such port on the East Coast . . .

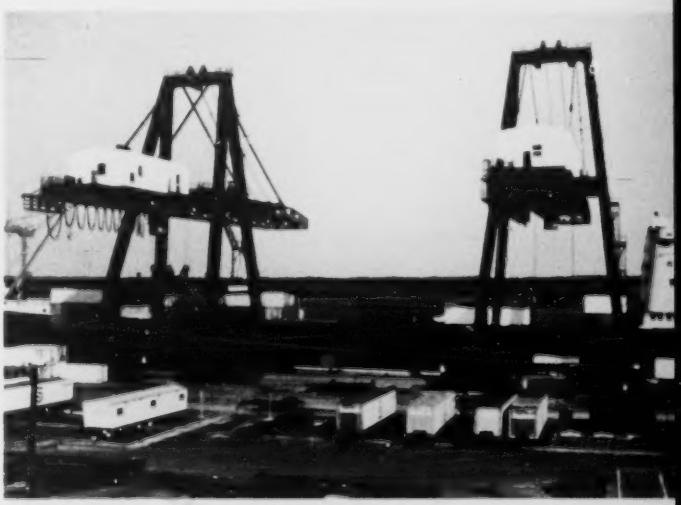
to assist defense subcontractors and other firms in incorporating advanced manufacturing technologies into new projects. Or the Authority is prepared to assume the management responsibilities of ongoing projects itself.

One project in which the South Carolina Research Authority is the prime contractor is the Rapid Acquisition

Bertlesmann Music Group on Interstate Highway I-85 in Spartanburg, North Carolina. This German company is one of some 60 international companies in Spartanburg.

of Manufacturing Parts Project (or RAMP) in North Charleston. RAMP is an ongoing project assigned to develop the technological capacity to make replacement parts vital to the maintenance and repair needs of the U.S. Navy's ships and equipment worldwide. The consortium companies on the project are Arthur D. Little, Battelle Memorial Institute, Grumman Data Systems, SRI International and Ingersoll Engineers.

That experience comes in handy. South Carolina is fortunate to have nationally and internationally recognized design and construction firms that provide a strong base of engineering expertise and specialized construction capabilities. In fact, Greenville, South Carolina boasts the highest concentration of engineers per capita of any county in the United States. South Carolina also is home to one of the premier design and construction firms recognized for its dominance in serving the needs of the pharmaceutical industry, as well as other industries requiring *clean room* facilities.



Charleston is now the second largest container cargo port on the East Coast.

The South Carolina State Capitol.

Tax and Financial Incentives

All of these amenities are offered without the high cost you might associate with them. South Carolina, which operates on a constitutionally mandated balanced budget, has a state and local tax burden well below the national average. The state ranks seventh lowest nationally in a comparison of state and local taxes per capita.

South Carolina's Atlantic Community Office provides an investment advisory service to international companies . . .

South Carolinians paid in 1985-86 an average of $1,138 annually in state and local taxes, compared with $1,547 nationally. In 1986, per capita taxes in South Carolina were 73.5 percent of the national average and 25 percent of the highest state (Alaska at $4,489). And the corporate income tax rate of 5 percent places South Carolina among the lowest in the Southeast and U.S. In fact, the state's corporate income tax contributed only 5.7 percent of the revenue for the South Carolina tax dollar in 1987.

Furthermore, South Carolina has no state tax on real or personal property. These taxes are levied only by local governments, and all property is assessed at fair market value. Also, there are several taxes that are not levied in South Carolina. There is no tax on intangible property, no local income taxes, no local sales tax, no unitary tax on worldwide profits, no inventory tax, no wholesale sales tax and no added tax.

The state also provides a variety of financial incentives. The South Carolina Job-Economic Development Authority is South Carolina's direct lending finance authority established to meet certain financing needs of qualifying businesses. The primary focus of this state-supported program is to stimulate the creation of permanent jobs in business and industry through loans, investments and financial promotion of exporting oppor-

The South Carolina Research Authority maintains three research parks that are closely affiliated with our major research universities . . .

tunities of goods and services from within the state. Other financing programs include industrial revenue bonds, community development block grants and small business loans.

Overseas Presence

The South Carolina State Development Board is always willing to work with prospective businesses and industries, and handles European-based companies out of its office in Frankfurt. The Atlantic Community Office now represents South Carolina in Europe and surrounding countries on behalf of the State Department of Agriculture, and State Development Board and the State Ports Authority.

The Atlantic Community Office has three primary marketing objectives: increasing the recognition of the state in the international community; increasing investment in South Carolina by international companies; and promoting trade in the world market by South Carolina companies.

In an effort to increase recognition of South Carolina, the Atlantic Community Office represents the interests of the state at offical functions of various organizations, including U.S. embassies and consulates, the U.S. Department of Commerce, the U.S. Department of Agriculture, the European Government Business Relations Council, the Council of American States in Europe and the American chambers of commerce in Europe and the Atlantic community.

The office also organizes and participates in trade and investment missions to further business ties abroad, which also enhances the image of the state within the international business community. The office assists chambers of commerce, economic development groups and other organizations in their overseas efforts to promote trade and investment ties with South Carolina. Additionally, the office provides contact reports, mailing lists and individual referrals regarding international trade to other South Carolina organizations.

South Carolina's Atlantic Community Office provides an investment advisory service to international companies

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interested in establishing operations in the United States. The office serves as a clearinghouse for information about South Carolina and maintains a computerized database for responding rapidly and effectively to investment inquiries.

The office is prepared to be of assistance at every step of an investment decision, from initial consideration of entering the U.S. market to the establishment of business operations in South Carolina and continuously thereafter by maintaining good relationships with parent companies of South Carolina firms for future cooperation.

Steven A. Nadeau is director of the office. He can be reached by writing to: State of Carolina, Atlantic Community Office, Frankfurt Airport Center, P.O. Box 750423, D-6000 Frankfurt-Main 75, Federal Republic of Germany.

It's no wonder, then, that more and more firms have discovered what is attractive about South Carolina. The state welcomes new business and stands ready to help them, starting with my office and working all the way down to the local level. West German businesses have a long and involved history with the State of South Carolina. We want to keep a good thing going. ■

Überblick

Ausländische Investitionen in South Carolina

Deutsche Investitionen in den USA und dabei insbesondere im Bundesstaat South Carolina erreichten 1987 einmalige Höhen. Seit 1960 haben deutsche Unternehmen fast 1,5 Milliarden Dollar in South Carolina investiert, mehr als jedes andere Land der Welt. 28% aller ausländischen Anlagen insgesamt in der Geschichte des Staates stammen aus deutschen Quellen. Allein im Jahr 1987 haben deutsche Unternehmen fast 58 Millionen Dollar in diesem US-Bundesstaat investiert und lagen damit nur hinter Japan und Frankreich. 1987 war für South Carolina so erfolgreich, daß es seine ausländischen Investitionen auf die Rekordhöhe von 619 Millionen Dollar verdreifachen konnte, ein volles Viertel der Gesamtinvestitionen in jenem Jahr.

Die Beliebtheit des Staates für Anleger hat verschiedene Ursachen. Seine südliche und damit klimatisch milde Lage zwischen Florida und Delaware ist sicher einer der Gründe; wichtiger jedoch ist der direkte Zugang zu fast allen amerikanischen Märkten. Fast zwei Drittel der gesamten US-Bevölkerung wohnt nicht weiter als 750 Meilen vom Zentrum South Carolinas entfernt. Innerhalb eines 1.000-Meilen Radius befinden sich 18 der 20 der im Einzelhandel führenden Staaten und 19 der 20 höchstindustrialisierten Staaten.

Weitere Faktoren, die bei unternehmerischen Standortfragen eine Rolle spielen, ist die Qualität der Arbeitskräfte und deren Engagement in Gewerkschaften. Die Arbeitslosenzahl liegt unter dem Bundesdurchschnitt und die Mitgliedschaft in Gewerkschaften ist mit 4% die niedrigste in den USA überhaupt. Die Lohnkosten liegen somit bei nur vier Fünftel des nationalen Durchschnitts, nicht zuletzt auch aufgrund der geringeren Lebenshaltungskosten.

Ebenso erfreulich sind die Steuersätze: Im US-Vergleich der einzelstaatlichen und Gemeindesteuern liegt South Carolina an siebt-niedrigster Stelle. So zahlten z.B. 1985-86 die Einwohner dieses Staates durchschnittlich nur $1.138 staatliche und Gemeindesteuern, verglichen mit $1.547 bundesweit. 1986 betrugen die Pro-Kopf-Steuern 73,5% des Bundesdurchschnitts, und bloße 25% des Staates mit den höchsten Steuersätzen. (Alaska, $4.489).

South Carolina ist an ausländischen Investitionen außerordentlich stark interessiert. Ein Ausdruck dieser Bereitschaft zur Zusammenarbeit und Unterstützung ist die Tatsache, daß das South Carolina State Development Board ein Büro in Frankfurt unterhält, um deutschen und europäischen Anlegern den Schritt über den Atlantik zu erleichtern. ❑

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Once you've flown to Frankfurt, it's only a short walk to South Carolina.

There are two ways to get to South Carolina after landing in Frankfurt. You can cross the Atlantic, or you can cross the airport.

If you have the time, we suggest you cross the Atlantic so that a million South Carolinians can each give you one good reason to locate a business facility in our state.

If time is a problem, just cross the airport to the Frankfurt Airport Center so our staff can give you a million good reasons for doing business in South Carolina.

With 16 years of experience in Europe, our trained staff can provide all the information you need to make sound U.S. business development decisions.

You'll learn that our corporate tax rate of 5% is the lowest in the Southeastern United States.

You'll also learn about a unique technical training system for our workers, a major world seaport in Charleston, a sophisticated transportation network, a host of incentive programs to assist international business decision makers and, most importantly, our location: We're within 1200 km of two-thirds of the world's largest market.

To find out why companies like Hoechst and Robert Bosch have chosen South Carolina as their U.S. location, stop by our new office at the Frankfurt Airport Center or write Steven A. Nadeau, State of South Carolina, Atlantic Community Office, Frankfurt Airport Center, P.O. Box 750423, D-6000, Frankfurt/Main 75, Federal Republic of Germany (FRG). Telephone (49)(69) 69797-463; FAX (49)(69) 69797-110.

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North Carolina: Das bessere Geschäftsklima

North Carolina: The Better Business Climate

James G. Martin
Governor,
State of North Carolina

German travelers in North Carolina today may find themselves in a land of people not terribly different from their own. Prosperous, hard working, and industrious—North Carolinians of the 1980s share a common heritage with their German visitors.

Indeed, as early as 1710, German colonists were settling the Eastern North Carolina town of New Bern. By the mid-1700s, German settlers from Pennsylvania and other North Atlantic states were also seeking the warm climate and fertile farmlands of North Carolina. Following what later became known as *The Great Wagon Road,* German settlers arrived in the rolling hills of North Carolina's Piedmont. Among their settlements were the predecessors of modern-day cities such as Charlotte, now North Carolina's most populous metropolitan area, and Winston-Salem, another of North Carolina's largest cities.

As was the case with many of America's earliest settlers, the Germans who came to North Carolina were industrious, thrifty and law-abiding. A traveler in 1783 described their communities as ". . . distinguished above the other inhabitants for the industry and diligence in the agriculture and the crafts. . ."

Business Climate

Today, North Carolina maintains the traditions of hard work and industriousness that were the hallmark of its European forefathers. Indeed, in corporate board rooms

. . . American corporate executives asked to list the state most likely to be selected for their next new manufacturing facility named North Carolina . . .

across America, North Carolina has come to enjoy a consistent reputation for economic excellence—and as a location where new and expanding industries can grow and prosper.

In a recent survey by *Business Week* magazine, American corporate executives asked to list the state most likely to be selected for their next new manufacturing facility named North Carolina more frequently than any other state in the nation.

In another recent poll, 400 business executives surveyed by Louis Harris and Associates named Charlotte and Raleigh, North Carolina as best growth locations among American mid-sized cities in the next five years.

International Investment

North Carolina's business climate also enjoys an excellent reputation among international business interests. Since 1980, new and expanding foreign firms have

Skyline of Charlotte, NC, the nation's seventh-largest financial center.

invested more than $2.7 billion in manufacturing facilities in North Carolina. German-based firms, alone, have spent more than $461 million for new plants and expansions in the state over the last eight years to date.

Davis Bunn, head of North Carolina's European development office in Duesseldorf, West Germany, comments on why German manufacturers like to come to North Carolina. "There is a saying in Europe," says Bunn, " 'the Germans live to work.' Many German firms have found the same work-ethic attitude in North Carolina."

Other factors also contribute to the state's popularity—among them, North Carolina's world-famous Research Triangle Park.

Uwe Beckmann of Wandel & Goltermann Instruments, Inc. explains how the Park influenced his firm's decision to come to North Carolina's Raleigh-Durham area. "The Research Triangle Park was a big factor and the three major universities that surround it made recruiting easy for us," Beckmann says. "The universities also enable our employees to further their educations."

"The foreign trade zone at the Park, although not helpful now, might well be a big asset in the future if trade laws happen to change," Beckman says.

International Division

To help acquaint European companies with North Carolina's business assets, the state opened a new business development office in Europe in 1975. The office is located in Duesseldorf, West Germany, the capital of the State of North Rhine & Westphalia, the strongest economic power in Europe. "We act as salesmen for North Carolina," says office director David Bunn.

The office has a direct link to the International Division of North Carolina's Department of Commerce. Created in 1974 for the purpose of furthering exports and increasing foreign investment, the International Division provides business information and other investment services for companies around the world.

Although not the first state to establish international development offices, North Carolina was the first American state to undertake business development missions overseas. In 1958, under the direction of then-Governor Luther Hodges, North Carolina conducted frequent state-sponsored missions to Europe to encourage trade and reverse investment.

. . . North Carolina was the first American state to undertake business development missions overseas.

"That was the start of a good healthy relationship between Germany and North Carolina," says North Carolina Commerce Secretary Claude E. Pope. "Today, that relationship has grown into a healthy interplay of information and investment that encourages economic growth among both our peoples."

German Investment

Eckart Goette, Honorary German Consul to North Carolina, shares Pope's appreciation for the long ties of

business and cultural interchange that bind North Carolina and West Germany. "The first German investment in North Carolina came after the Second World War and was well received," Goette says. "Germans were pleased with North Carolina's transformation from agriculture to manufacturing. The change gave our firms unique opportunities for investment."

Statistics released by the United States Department of Commerce indicate that 305,337 United States citizens were working for German-owned firms in 1986. More than 20,800 of those workers were North Carolina citizens. German-owned firms operating in the United States had 6.8 percent of their work force in North Carolina.

North Carolina also boasts a large share of German capital assets in the United States. United States Department of Commerce statistics indicate that of $22.5 billion in German-owned U.S. assets, approximately $1 billion are located within North Carolina—4.5 percent of non-bank German assets in the United States.

Finance

While long a leading manufacturing state, North Carolina has also recently emerged as a major American financial center.

More banking resources, $57 billion dollars, are headquartered in Charlotte than any other city between Pittsburgh and Los Angeles, making the city the nation's seventh largest banking center. Five of the nation's top 150 bank-holding companies operate in Charlotte; two—which are also headquartered in the city—rank among America's top twenty-five financial institutions.

Charlotte's financial resources put North Carolina in an excellent position to handle virtually any company's international banking needs. Three banks in Charlotte have international departments and offer foreign-currency exchange, multi-currency loans, trade financing, letters of credit, money transfers and cash management. In addition to 1,540 domestic branches, the city's banks list eleven branches and representative offices abroad. Of Charlotte's combined total banking deposits, over $25 billion are classified as international.

Incentives

North Carolina does not offer cash inducements or tax moratoria to new businesses. Instead, the state prides itself in treating all its corporate citizens, new and old, with the same honest and enthusiastic support.

Still, there are some important financial advantages to doing business in North Carolina. North Carolina offers low tax rates. There is no inventory tax. Corporate income is taxed at a low 7 percent. Property taxes are administered on a county level and are generally lower than anywhere in the nation. All pollution control equipment is exempted from county property taxes; and unemployment taxes average the third lowest in the nation.

North Carolina is a right-to-work state. Over the last 20 years the average time lost in North Carolina due to labor disputes has consistently ranked among the lowest in the nation. The reason—union membership in North Carolina is only 4.8 percent, the lowest in the United States.

Finally, North Carolina has a strong work ethic. On average, the state's employees produce 12 cents more per dollar earned in wages than the nation's other workers in the same industries. And more productivity means more profit.

Community College Training

One of the reasons North Carolina labor can be so productive is the training available to workers at the community college level. The state's 58-campus community college system offers free, customized skills training to all new and expanding industries in the state creating 12 or more jobs. Courses are designed by company managers and community college industrial training specialists.

"The industrial training program has been instrumental in training our employees."

Herb Murphy, General Manager of the Newton, North Carolina location of Meredith/Burda, confirms the strength of the community college system. "We at Meredith/Burda chose North Carolina as our location for four reasons," Murphy says, "First, the educational and training opportunities are excellent. North Carolina has an outstanding community college system. The industrial training program has been instrumental in training our employees.

"The community colleges also offer many educational opportunities for the citizens of North Carolina. The other three reasons included a good labor force, proximity to east coast markets and good transportation facilities," Murphy continues.

Training workers for industrial employment has been a practice in North Carolina for more than 20 years. Since the program's beginning, nearly 160,000 people have completed customized training programs to meet specific job skills at more than 1,400 new or expanded industry operations.

Education

As with skills training, North Carolina has long been aware of the importance of quality education.

In some states education is an on-again, off-again proposition. North Carolina has had a long obsession with education. In North Carolina, every Governor is an education Governor.

A look at state history books proves the point. From as early as the 1800s, North Carolina Governors have led the way toward better education—not just in public schools, but at technical schools and university-level institutions as well.

Standards for North Carolina elementary and high school levels are rigorous, and on standardized testing in public schools, students have surpassed national averages

in every subject at every grade level tested.

Opportunities for advanced education are tremendous. In addition to its 53 community colleges and technical schools, North Carolina also boasts a sixteen-campus public university system and 38 private colleges. Many of these colleges and universities have national and international reputations.

Research Parks

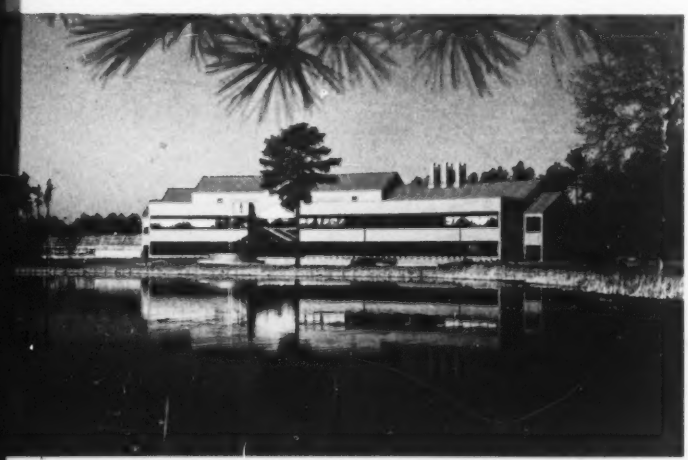
For advanced research and scientific endeavor, virtually no location in the world can surpass North Carolina's world-renowned Research Triangle Park.

Located strategically between North Carolina State University, the University of North Carolina at Chapel Hill and Duke University, the park is the largest planned research center in the world, and is now home to more than 45 national and international corporations—and has the highest per capita concentration of doctoral degree holders in the United States.

. . . the largest planned research center in the world. . . . the highest per capita concentration of doctoral degree holders in the United States.

Dr. Malcolm Russ, President, Dynamit Nobel Silicon, Inc., says that the Park and its constituent universities were a key reason for his company's decision to locate in North Carolina. "We produce silicon wafer," says Russ. "Some of our clients are Northern Telecom and IBM. One of our reasons to locate in the Research Triangle was the prestige of the Park. Next, we at Dynamit Nobel Silicon felt that because of North Carolina State and Duke Universities' excellent research programs in materials, we would be able to keep our product at the leading edge of technology."

In addition to the Park's corporate tenants, two impressive state-supported research centers sponsor internationally recognized research programs in the Triangle area. The Microelectronics Center of North Carolina is a world-class fabrication and testing facility for semiconductor technologies. Only a few miles away, the new North Carolina Biotechnology Center coordinates and fosters new research in genetic engineering and other promising biochemical research fields.



BASF Chemical Division's agricultural research center in the Research Triangle Park.

A hundred miles southwest of Research Triangle Park is another North Carolina technology center—The University Research Park in Charlotte. Supported by the University of North Carolina at Charlotte, the park, though young, has been able to attract such internationally recognized corporations as IBM, AT&T, and Verbatim/Kodak. One unique feature of University Research Park is nearby University City—a planned commercial, technical, and university community which makes the entire park area an exciting place to live.

Together, Research Triangle Park and University Research Park at Charlotte stand as the centerpieces of North Carolina's commitment to leading-edge development and commercialization of new technologies.

Transportation

Another key advantage to locating in North Carolina is its geography. Centrally located on the American East Coast, North Carolina lies within a 700 mile radius of 63 of the nation's top 100 metro areas, 61 percent of the United States industrial base and seventeen of the 23 states with at least $20 billion in retail sales.

The state's geographic advantages are supplemented by a network of good roads. With over 76,000 miles of state maintained highways, North Carolina offers the largest state road network in the United States. Five interstate highways cross the state and a growing network of four-lane arterial highways provide easy access to virtually every region of North Carolina.

Nonstop flight air service to Germany is expected to begin sometime in 1989.

For faster transportation, North Carolina boasts two major airline hubs and twelve regional airports, providing convenient national and international travel. At Douglas International Airport in Charlotte travelers can board direct nonstop flights to London, England. Near the state capital, Raleigh-Durham International Airport provides nonstop flights to Paris, France. Nonstop flight air service to Germany is expected to begin sometime in 1989.

By 1990 Charlotte is projected to be the 20th largest airport in the United States, while Raleigh/Durham is expected to be in the top 30.

Ports and Rail

For heavier cargo, North Carolina offers an extensive network of rail and ocean-going transportation services.

A total of twenty rail carriers serve the state. The CSX rail system places North Carolina at the center of more

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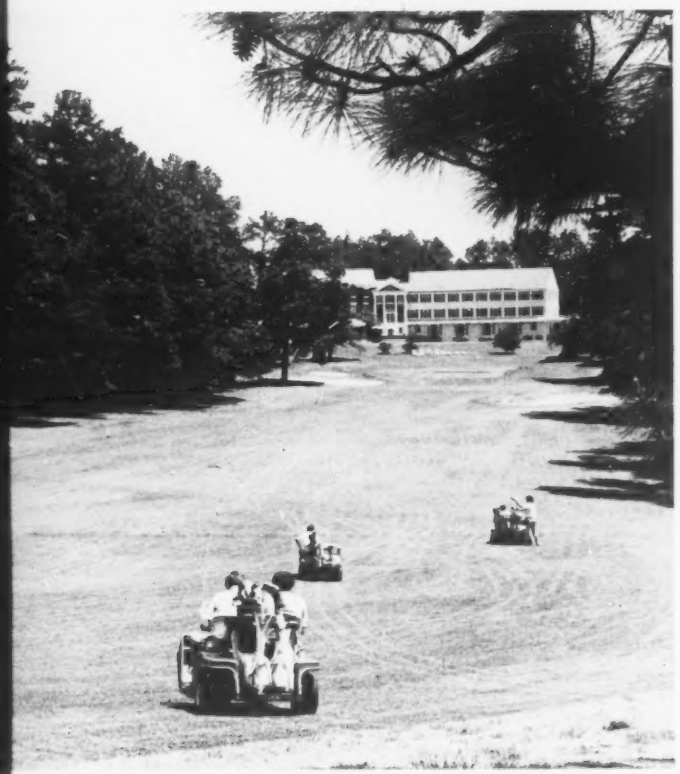

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than a 29,000 mile rail network. Another major carrier, Norfolk Southern, links North Carolina to major yards in St. Louis, Jacksonville, New Orleans, Buffalo, Kansas City and Detroit. Ninety of the state's one hundred counties receive rail service. Rail service also provides low-cost access to North Carolina's two deep-water ports through inland intermodal terminals at Charlotte and Greensboro, North Carolina.

Six million tons of cargo a year move through North Carolina's seaports at Wilmington and Morehead City. Another 3-million tons move north-south through the state's eastern-most counties on the Intercoastal Waterway. Foreign trade zones at both ports add flexibility to shipping and manufacturing operations located in the region.

Quality of Life

One comment said many times over about North Carolina is the state's excellent quality of life. Dubbed by its promoters as Variety Vacationland, North Carolina is one of the very few places in the world where residents can enjoy both mountains and seashore, as well as a temperate climate all year.

In addition to its reputation as Variety Vacationland and Golf State USA, North Carolina has long been a big supporter of the finer things in life. State government spends millions each year on a wide range of cultural programs including the North Carolina Symphony, the State Museum of Art, a state-supported zoo, aquariums and other programs around the State.

"Coming to North Carolina was a business decision," says Guenter Venemann, General Manager of Getrag Gears of North America. "However, the attractiveness of the Newton area played a big factor. The topography here is similar to Germany's. We also enjoy numerous recreational possibilities."

"North Carolina enjoys four distinct seasons," Venemann continues. "You can enjoy skiing in the winter; golf, tennis and other outdoor sports in the Spring, Summer and Fall. The Blue Ridge Parkway offers magnificent views of the foliage changes in the fall. The beach is only a few hours away. But probably the nicest aspect is the people and their Southern Hospitality."

The Better Business Climate

Although North Carolina is a progressive state, its people are friendly and still have strong ties to the land and their families.

"People here are not too busy to stop and say hello or lend a helping hand," says Commerce Secretary Pope. "We like to say we're not just a right-to-work state, but a want-to-work state."

"From the mountains to the coast one can find many farms which have been in one family for generations," Pope continues. "This gives North Carolinians a sense of pride in their communities—a desire to keep old traditions alive, but provide good job opportunities for their children."

Being a place where people want to live and work takes a lot of effort. ■

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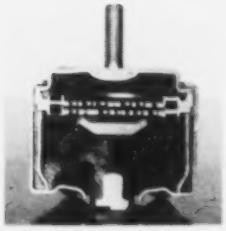

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Überblick

North Carolina: Das bessere Geschäftsklima

North Carolina wird nicht nur von Amerikanern als der Standort angegeben, an dem sie sich am ehesten eine weitere Produktionsstätte vorstellen können. Auch ausländische Anleger wissen die Vorteile des Staates zu schätzen: Seit 1980 haben ausländische Unternehmen über 2,7 Milliarden Dollar in Produktionsbetriebe dort investiert, die Deutschen allein über $461 Millionen.

Um europäische Unternehmen mit North Carolina bekannt zu machen, hat der Staat 1975 ein Büro in Düsseldorf eingerichtet. Die Filiale steht in direkter Verbindung mit der Internationalen Abteilung des Handelsministeriums des Staates, die sich mit der Exportförderung, der Anregung ausländischer Investitionen und ganz allgemein mit der Unterstützung ausländischer Unternehmen befaßt.

Deutsche Unternehmen liegen bei diesen Anlagen an prominenter Stelle: Wie das US-Handelsministerium bekannt gab, arbeiteten 1986 305.337 US-Bürger für Firmen in deutschem Besitz, über 20.800 waren dabei Einwohner North Carolinas—immerhin 6,8%. Ebenso beeindruckend ist die Statistik, nach der von 22,3 Milliarden Dollar an US-Vermögensanlagen in deutschem Besitz ca. 1 Milliarde in North Carolina konzentriert sind, das sind 4,5% aller deutscher Anlagen in den USA, die nicht mit Banken in Zusammenhang stehen.

Steueranreize, günstige Finanzierungsmöglichkeiten, qualifizierte Arbeitskräfte, "Research Parks" und ein gut ausgebautes Transportsystem sind nur einige der wichtigsten Vorteile, die der Staat seiner Industrie bietet. Gouverneur Martin faßt seinen Enthusiasmus zusammen: "Wir laden alle Industriebetriebe in der ganzen Welt ein, sich North Carolina einmal näher anzusehen. Wenn Sie—wie so viele andere vor Ihnen—unseren Staat einmal entdeckt haben, wissen Sie, was gemeint ist, wenn wir sagen: 'Wir haben das bessere Geschäftsklima'." ❑

"A creative mind and initiative combined with diligence are the foundation of success."

Guided by this maxim Biesterfeld has become one of the biggest chemical distributors in Germany and the Biesterfeld Group is engaged in worldwide business with its different divisions.

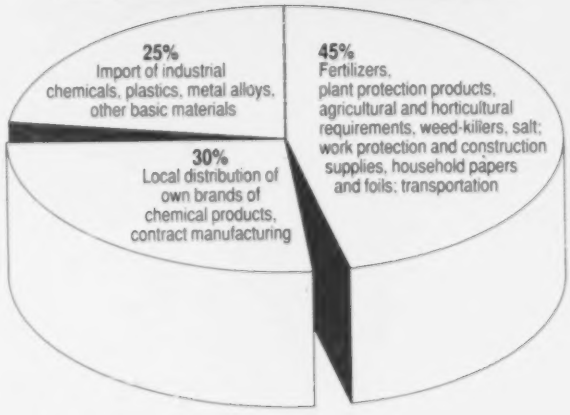
In 1906 the founder of the company, Wilhelm Biesterfeld, started selling salt wholesale and launched a salt exporting business.

Today 43 German and 6 non-German independent companies with more than 1.100 employees are combined under the roof of Wilhelm E. H. Biesterfeld.

The total turnover of the Biesterfeld group of companies is appr. DM 900 million.

The Biesterfeld Group enjoys a very good reputation among experts, customers and suppliers at home and abroad and remains the international partner.

Sales of the Biesterfeld Group in 1988


25%
Import of industrial chemicals, plastics, metal alloys, other basic materials
45%
Fertilizers, plant protection products, agricultural and horticultural requirements, weed-killers, salt; work protection and construction supplies, household papers and foils; transportation
30%
Local distribution of own brands of chemical products, contract manufacturing

Biesterfeld

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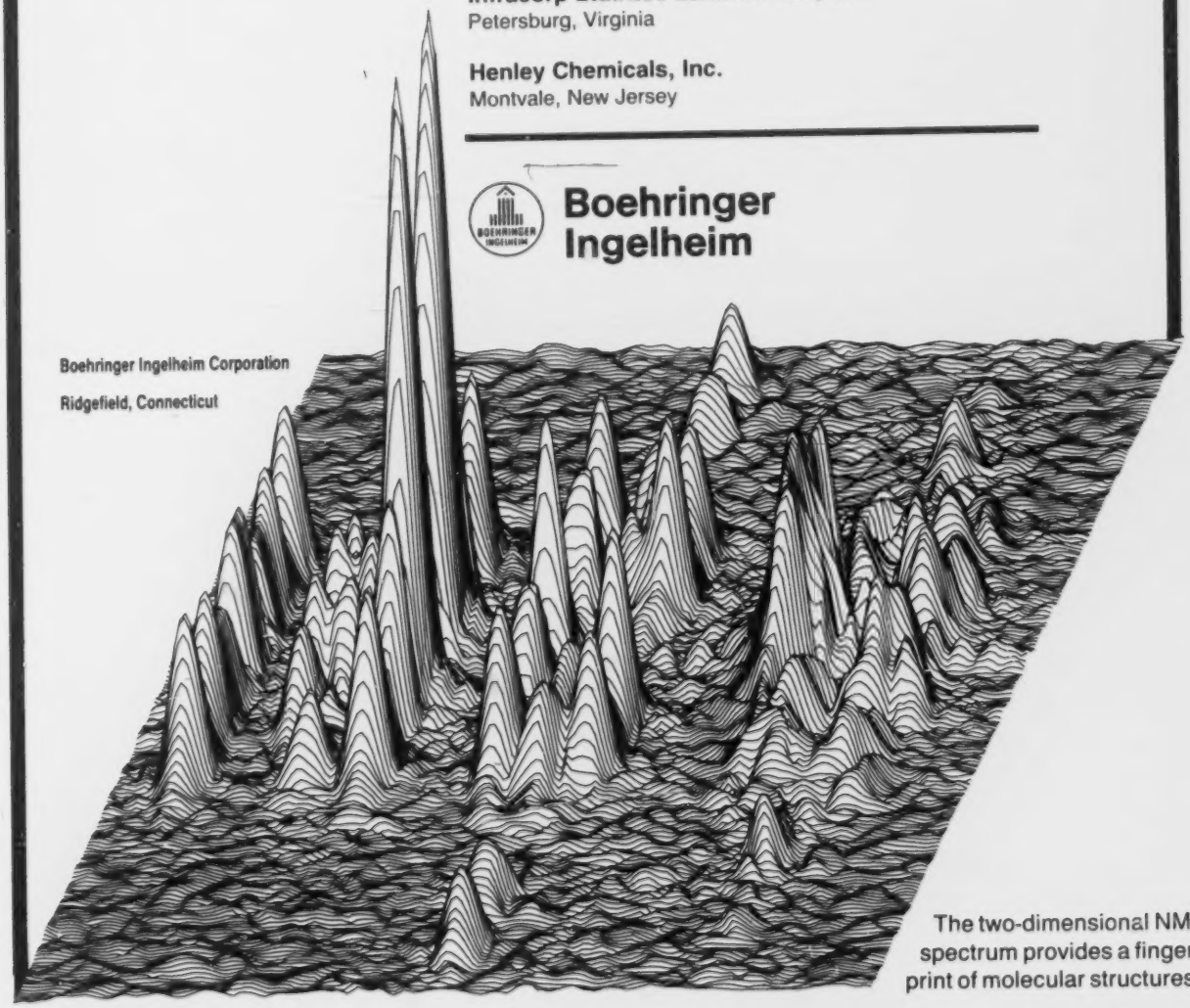

The two-dimensional NMR spectrum provides a fingerprint of molecular structures.

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Chancen und Möglichkeiten ausländischer Investoren in Baden-Württemberg

Opportunities and Possibilities for Direct Foreign Investment in Baden Wuerttemberg

Dr. Walther Zuegel
Chairman of the Board of Managing Directors, Landesgirokasse, Stuttgart

Baden-Wuerttemberg ranks top among the eleven states of the Federal Republic of Germany as an industrial region. That is the conclusion of a recent survey among 200 business leaders of companies with more than 500 employees. The participants in this survey cited the following as the most important factors influencing their choice:

- a stable, entrepreneurial economic policy;
- well-qualified employees;
- an excellent infrastructure with regard to science; research and development; and
- a high leisure-time value.

All these factors are of equally decisive importance for foreign investors. Over the past ten years (1976-1986) direct foreign investment in Baden-Wuerttemberg has doubled from DM 9 billion to DM 18 billion. Over this period of time, the share of the United States origin has remained constant at 40 percent, and therewith is twice as high as the accumulated investment originating from all member countries of the European Community, i.e., 20 percent.

The volume of direct foreign investment of DM 18 billion has been spread over approximately 1,600 companies in which foreign investors hold participations in equity capital of 25 percent and more. The activities of some 328,000 employed by these 1,600 companies result in a total turnover of DM 95.2 billion (all figures 1986).

Approximately 8 percent of the Baden-Wuerttemberg workforce are employed by companies which carry a substantial foreign participation. The volume of DM 95.2 billion represents over one-third of the total turnover of the Baden-Wuerttemberg manufacturing industry, even

The global success of Baden-Wuerttemberg . . . Daimler-Benz, Bosch and Porsche, . . . Asea Brown Boveri (ABB), Hewlett Packard, IBM, Kodak, . . .

though the value-added by companies with foreign participation may be less than those of indigenous companies. These comparisons emphasize the importance of foreign investors for the economy of Baden-Wuerttemberg and their appreciation of its advantages.

Direct foreign investment of DM 18 billion represents 20 percent of all such investment in West Germany, which is disproportionate compared with its share of 15 percent of the total poplulation, 16 percent of its gross domestic product and 16 percent of the Federal Republic's workforce. This equally reflects the preference for the Federal State of Baden-Wuerttemberg which foreign investors demonstrate within West Germany. In addition, direct foreign investment is disproportionate in the electronics

Stuttgart's Neckar Harbor

and electrotechnical sectors of industry, amounting to over DM 6 billion and in the chemical industry with DM 2.6 billion.

The Economy of Baden-Wuerttemberg

The attraction of Baden-Wuerttemberg as an industrial region is reflected in its exemplary economic development.

The growth of gross domestic product in Baden-Wuerttemberg regularly exceeded the growth of the Federal Republic over the past five years. In nominal terms, the gross domestic product of Baden-Wuerttemberg amounted to DM 324 billion in 1987, which compares approximately to the gross domestic product of Switzerland or South Korea. The export volume of Baden-Wuerttemberg industry reached DM 96 billion, which is equivalent to 2 percent of total world trade or 18 percent of West Germany's total exports. The unemployment rate in the region averaged 5.1 percent in 1987, compared to an 8.9 percent average in the Federal Republic.

Statistics on Baden-Wuerttemberg (All values 1987)

Area		35,751km²
Inhabitants		9.3 million
Gross Domestic Product (GDP)		DM 324 billion
GDP per Capita		DM 34,800
Exports		DM 96 billion
Export Ratio (of manufacturing industry)		33%
Number of Companies in Manufacturing Industry		9,300
Employees in Manufacturing Industry		1.43 million
Machine Building Industry	0.25 million	
Electrotechnical	0.25 million	
Auto Industry	0.23	
Employees in Craft Business		0.68 million
Employees in Construction Business		0.175 million
Unemployment Rate		5.1%

The global success of Baden-Wuerttemberg industries is not only attributable to companies like Daimler-Benz, Bosch and Porsche, which are all headquartered in this region, but also to a large extent to affiliations of foreign groups like Asea Brown Boveri (ABB), Hewlett Packard, IBM, Kodak, Nokia-AB and Sony, to name but a few.

What is the secret of the economic success of Baden-Wuerttemberg? Superficially, one might say:

Success breeds success. Paradoxically, however, the real reasons are cradled in the lack of natural resources like coal or iron ore and in the historical and geographical difficulties of the regional agriculture. These difficulties gave rise to the exploitation of additional resources of income which could first and foremost be based on ingenuity, technical know-how, quality and craftsmanship. In addition, far-sighted economic leaders like Graf von Linden have actively promoted trade with foreign countries since they recognized the considerable advantage to the improvement of the well-being of the area. This tradition still prevails in the economy of the state today. The roots of its work-ethic are strongly influenced by the background of the religious movement of Pietism.

The Benefits of Direct Foreign Investment, in General...

What advantages would a foreign company gain by investing in Baden-Wuerttemberg? The answer to this question is based on the core question, why is it important to tap a foreign market at all? In my opinion, the most convincing answer is offered by Kenichi Ohmae, managing director of McKinsey Japan since 1980. In his book *Triad Power*, published in 1984, he suggests:

- that the demand for capital goods for a large number of technically advanced product areas is concentrated in the three regions of the Triad, Europe, North America and Japan to the extent of over 75 percent;
- that the demand and the living standards of the inhabitants of the Triad have approximately converged. All over the Triad, one will meet McDonalds, Adidas, Levis Jeans and Sony-Walkman;
- that the technological know-how in all three regions of the Triad has converged, and new technologies that have been developed in one area will be disseminated all over the Triad within a short period of time;
- and finally, that the development of new products or production techniques requires huge capital investment, which can only be justified by a marketing strategy encompassing the entire Triad. Whoever develops the domestic market first in order to turn to foreign markets thereafter has to face competition already in place due to the rapid diffusion of technical know-how as already mentioned.

Companies that intend to ensure a position in the global markets for themselves and their products invariably need to be present in all three regions of the Triad as insiders. The insider-position is necessary in order to ben-

efit directly and without delay from the available knowledge of the various markets, of new products and new technologies in the individual regions. Companies exploiting the entire potential of know-how of the Triad derive immeasurable advantages in the development of new products and processes. The risk of faulty investment is diminished and the duplication of R & D efforts is avoided. Equal value has to be attributed to all three regions within the Triad.

. . . and in the Federal State of Baden-Wuerttemberg

Reverting to our original subject: What does all this mean with regard to Baden-Wuerttemberg? I should like to emphasize the following three points:

First and foremost, Baden-Wuerttemberg is among those areas furthest developed in science, research and development in Europe. The educational and scientific infrastructure encompasses nine universities and 23 special technical colleges, in addition to eleven research institutes of the Max-Planck-Gesellschaft and thirteen institutes of the Fraunhofer-Gesellschaft. Furthermore, three plants for nuclear and cancer research as well as aviation and space technology are located in Baden-Wuerttemberg. Moreover, two international laboratories carry out research in the areas of biology and physics. Research undertaken in these institutions encompasses all technologies, such as computer science, microelectronics, laser technology, new materials and surface technology, bio-technology, as well as aviation and space technology. In addition, not less than 60 extra-academic centers are devoted to the combination of basic science, applied research and industrial development. At present, a City of Science is being built in Baden-Wuerttemberg, in which numerous private companies and the public sector have invested DM 3 billion. This reflects the importance which technology transfer enjoys, i.e., the close cooperation between science and commerce. Last but not least, German industry has concentrated almost one-quarter of its R & D potential in Baden-Wuerttemberg.

Companies that intend to ensure . . . positions in the global markets . . . need to be present in all three regions of the Triad . . .

Secondly, the economy of Baden-Wuerttemberg is characterized by the high standards of its workforce. The system of professional education through vocational schools and companies is widely recognized. The ample opportunities that the professional education system offers in Baden-Wuerttemberg is particularly interesting for companies since all qualitative requirements can be met by specially skilled employees.

The system of advanced vocational training is so well developed that it provides the opportunity for employees to upgrade their know-how to the state-of-the-art in their field. This means that every second employee working in production is a formally educated skilled worker who has passed at minimum a three-year formal vocational training program.

Thirdly, the nature of Baden-Wuerttemberg's economy is reflected in the size of its companies. Over 90 percent of all companies in the manufacturing sector carry less than 500 employees on their payroll. These middle market companies are well positioned to flexibly fulfill the demands of their customers at a high technical level and with well-qualified employees. All over the world their specialized products are in high demand. As a result, Baden-Wuerttemberg industry on average achieves one-third of its turnover through exports, and in some sectors and individual companies the export ratio exceeds 50 percent. The quality and specialization of their products create a high degree of competitiveness and adaptability for these companies in global trade. Even the fluctuations of the DM/$ parity have hardly impaired the success in exports of Baden-Wuerttemberg industry. This results in high stability in the economic development of the entire state.

These three advantages make it equally attractive and challenging for foreign companies to invest in Baden-Wuerttemberg directly. Companies that achieve an insider position in this market gain access to an enormous potential of knowledge with regard to new developments in markets, products and technologies. These additional resources will certainly assist companies in capturing world markets. Conversely, a foreign company imports to Baden-Wuerttemberg specific know-how which thereby becomes available for indigenous companies. Therewith, the establishment of foreign companies in Baden-Wuerttemberg is of mutual interest.

The following features cannot be overlooked:

- Baden-Wuerttemberg excels in its dense network of highways and railroads as well as the Stuttgart airport for intercontinental connections and several regional airfields. The capacity of the Stuttgart airport will be extended over the forthcoming years, and railway connections are being enhanced using high-speed trains. Other German and European centers are within easy reach through excellent highway connec-

Assembly line at Stuttgart-based Daimler-Benz.

tions. Most of these cities are located within a radius of less than 1,000 km (Paris 500 km, London 750 km).

- The network for data transmission is continuously being adapted to the latest demands in order to provide the necessary infrastructure for electronic communication. At present, an ISDN pilot project (ISDN = Integrated System Data Network) is being carried out in the Stuttgart area testing glass-fiber cables for the transmission of large volumes of data.
- For the solution of financial questions, efficient banks are available as partners that are expert in all facets of financing and hedging against interest and foreign exchange risk. 140 banks, among them 40 branches of foreign banks, are active in Stuttgart, the state capital of Baden-Wuerttemberg.
- The political base-conditions are stable and favor entrepreneurs. Under certain conditions public loans at subsidized interest rates can be tapped. A foundation has been established for the sole purpose of assisting foreign investors in their settlement or in the search for business partners in Baden-Wuerttemberg.
- Music, museums and theaters are strongly promoted in Baden-Wuerttemberg. The Stuttgart Ballet is world renowned and the new State Gallery in Stuttgart—designed by the Scottish architect James A. Stirling—attracts more than one million visitors annually—more than any other museum in the Federal Republic. Cultural promotion in Baden-Wuerttemberg is inspired by the tenet that excellence in science and economy can only be developed in a liberal, open-minded climate that spurs creativity.

German industry has concentrated almost one-quarter of its R & D potential in Baden-Wuerttemberg.

- The recreational value of the Baden-Wuerttemberg landscape is greatly valued and is enhanced by neighboring regions in France, Switzerland, Austria and Bavaria. In executive search this has often proven a decisive aspect.

Strategies for Direct Investment in Baden-Wuerttemberg

Having elaborated on the advantages of settling in Baden-Wuerttemberg, I should like to touch on the alternatives available for branching out. These can be summarized in principally three forms:

—settlement on the green field;
—acquisition of an existing company, and
—cooperation or joint-venture with an indigenous company.

Omitting a principal discussion of the advantages and disadvantages of these alternatives, it may be helpful to emphasize the particularities of Baden-Wuerttemberg.

When branching out on the green field, the agglomeration of industry and the resulting demand for employees in the Stuttgart region needs to be carefully considered. Since approximately 50,000 people immigrate into Baden-

Television tower on the outskirts of Stuttgart.

Wuerttemberg from other regions of the Federal Republic annually, it is advisable to attract employees through personnel advertisement in nationwide publications.

Acquiring an existing company necessitates different patterns (as in the United States) since in the Federal Republic of Germany only 500 companies are listed on the stock exchange in contrast to 5,000 in the United States. Acquiring a company by way of a stock purchase

Companies that achieve an insider position in this market gain access to an enormous potential for knowledge. . . new developments. . . products and technologies.

offer is often impeded by substantial shares of the stock of these companies being held by banks, insurance companies or private families. Non-listed companies are family-owned to a great extent, and they are generally well-capitalized so that no direct reason exists for the sale of the company or parts thereof. However, many family-owned companies that were founded after World War II are confronted with the problem of management succession. With no successor apparent in the family, the sale of the company is a possible solution. In order to exploit these opportunities the foreign investor requires the assistance of an indigenous partner (e.g., a bank) with

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Therefore, a joint venture or cooperation with a domestic company appears to be the most feasible solution. It requires a precise definition of the objectives, and both partners have to focus on their respective strengths and weaknesses. The high degree of specialization of domestic industries accommodates these requirements. In most cases, such cooperation will be of limited duration, which may suffice for the foreign investor to develop adequate know-how with regard to the domestic market.

Conclusion

The unique blend and concentration of basic science, applied research and development with a highly developed, specialized industrial culture has positioned Baden-Wuerttemberg as a starting point for many new ventures.

An insider position in Baden-Wuerttemberg provides access to a vast potential of knowledge on markets, products and technologies in these times of global competition among companies and the expeditious global diffusion of new product and process developments. Simultaneously, Baden-Wuerttemberg offers excellent basic conditions for entrepreneurial success with regard to politics, infrastructure and individual attitude. Finally, Baden-Wuerttemberg provides an advantageous launching site for the canvassing of the unified European Market of the 90s, the size of which will exceed the U.S. market. ■

Enclosed shopping mall in Stuttgart.

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Überblick

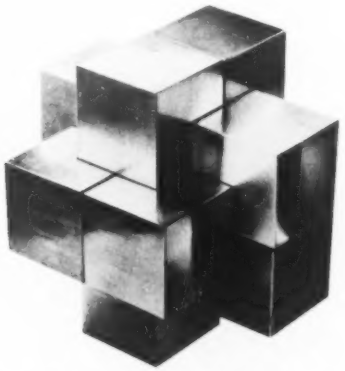
Chancen und Möglichkeiten ausländischer Investoren in Baden-Württemberg

Baden-Württemberg steht als Industriestandort in der Gunst der Unternehmen unter den elf Bundesländern an oberster Stelle. Dies ist das Ergebnis einer kürzlich durchgeführten Umfrage unter 200 Unternehmen mit mehr als 500 Beschäftigten. Als wichtigste Faktoren für ihre Wahl nannten die Befragten eine stabile, unternehmensfreundliche Wirtschaftspolitik, gut ausgebildete Arbeitskräfte, eine ausgezeichnete Infrastruktur für Wissenschaft, Forschung und Entwicklung, sowie einen hohen Freizeitwert.

1986 verteilten sich die ausländischen Direktinvestitionen im Umfang von 18 Mrd. DM auf rund 1.600 Unternehmen mit einem Umsatz von 95.2 Mrd DM. Das seit Jahren kontinuierlich schneller als das der Bundesrepublik wachsende Bruttoinlandprodukt war 1987 mit 324 Mrd. DM ungefähr der Schweiz oder Südkorea vergleichbar; die Exporte der baden-württembergischen Industrie beliefen sich auf 96 Mrd. DM.

Ein weiteres wichtiges Merkmal der Industrie dieses Landes ist die Größenstruktur der Unternehmen. Über 90% aller Industrieunternehmen beschäftigen weniger als 500 Mitarbeiter. Diese mittelständischen Unternehmen sind in der Lage, auf hohem technischem Niveau und mit qualifizierten Mitarbeitern flexibel die Wünsche ihrer Kunden zu erfüllen.

Niedrige Arbeitslosigkeit, unternehmensfreundliche Wirtschaftspolitik, ein der Wissenschaft, Forschung und Entwicklung förderliches Klima, sowie die hohe Qualifikation der Arbeitskräfte durch Berufsschulen und Ausbildung in den Unternehmen machen Baden-Württemberg zu einem attraktiven Standort für jede Geschäftstätigkeit. Gerade im Zeitalter des globalen Wettbewerbs von Unternehmen und der raschen weltweiten Ausbreitung von neuen Produkt- und Technologieentwicklungen sind diese Kriterien von entscheidender Bedeutung. Sei es in Form einer Niederlassung "auf der grünen Wiese", einer Aquisition eines bestehenden Unternehmens oder eines Joint Venture mit einem einheimischen Unternehmen—eine Investition in Baden-Württemberg verspricht unternehmerischen Erfolg. ❑



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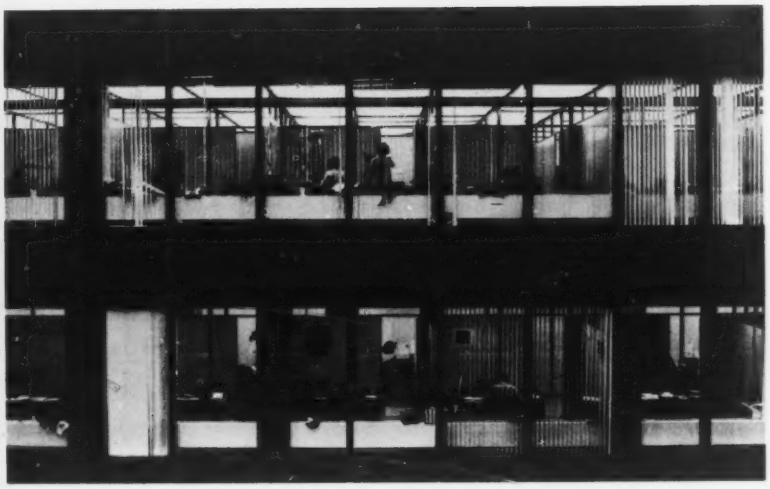

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New York: Hub of Diversity and Opportunity

by Thomas Willing
Director of Marketing, New York
German American Chamber of Commerce, Inc.

For many European executives New York is still the gateway to the New World, even if other centers of business, such as Atlanta, continue to gain in importance. However, given the European perspective, the East Coast is still the principal point of entry. The New York office of the German American Chamber of Commerce was the first to be established in the United States. With its subsidiaries in Atlanta, Georgia and Houston, Texas, it now covers the interests of business along the entire East Coast down to the Deep South.

In recent years the Northeast, formerly heavily industrialized, has undergone a very successful transition to the center of electronics. The area around Boston has been transformed into a second Silicon Valley, dominated by high-tech computer, biotechnology and evironmental protection companies. These industries, in particular, have been very active in Europe, not only in selling their products – there, but also in acquiring know-how or partners.

The U.S. market provides many opportunities for German companies engaged in environmental protection. The challenges open to German enterprise are, however, not only confined to the North, but also extend further South into the Philadelphia and Washington, D.C. areas of the Northeast corridor.

New York continues to be the center of finance as well as the service industries. It is also home to many corporate headquarters. Even though a number of companies have chosen to relocate to more cost-efficient areas of the United States in recent years, there has been a very limited exodus of headquarters operations. The proximity to New York is still a major reason for European firms to settle in the metropolitan area. That is why so many German companies have located in New Jersey, the most industrialized state in the United States.

The Mission of the German American Chamber of Commerce

The German-American Chamber of Commerce is a bilateral, non-profit membership organization, incorporated under the laws of the U.S. in New York State under the name German American Chamber of Commerce, Inc. It maintains branches in Atlanta and in Houston. More than 2,000 German and U.S. firms are members of the Chamber.

Membership services, including the distribution of the newsletters, are rendered centrally from the main office in New York. However, each of the regional Chambers and branches is responsible for all other services.

It is the principal goal of the Chamber to promote free trade between the Federal Republic of Germany and the United States. To this end the Chamber provides advisory services to companies in both countries, publishes pamphlets and books, and organizes seminars and luncheons.

Publications

The Licensing of Technology and Trademarks is one of the most recent publications of the Chamber. The book is available in English and German. The directory of German subsidiaries in the United States is one of the most important periodicals issued by the Chamber. It is particularly helpful for German companies planning to invest in the United States. Often it makes sense to work with a company already established in the United States with a complementary, non-competitive product line. It is a means of using existing channels of trade and an opportunity for both parties to reduce costs.

In addition the Chamber publishes the *German American Commerce* newsletter for its U.S. members every second

week. The *Kurzbrief aus USA* keeps German members current about events and issues in the United States. The *United States-German Economic Yearbook* provides expert insights into major German-American trade developments.

The Chamber also issues a number of other publications designed to help those entering the United States market. Most are printed in two languages on facing pages and thus also serve as a specialized dictionary.

Consultation

The Chamber provides a wide spectrum of services. It offers advice to German and American businesses to facilitate the pursuit of their interests in the respective country. These and other consultations focus not only on the laws governing the projected endeavor, but also on strategic considerations. This service is augmented by market analyses, tailored to the particular need, and by assistance in locating partners for joint ventures or U.S. distribution. To this end the Chamber has all types of market data banks at its disposal. Its own data banks provide lists of potential interested parties. To accommodate special requirements the Chamber will offer appropriate recommendations. For additional information regarding these services, please contact Mr. Thomas Willing at the New York office.

The Chamber operates a central information service. It responds to requests for addresses, product sources, etc. Mrs. Hamel has established a reputation as super-sleuth in her years of responsibility for this service. She has the know-how and resources to provide information about both countries.

Members of the Chamber receive its services free of charge or at minimal cost. Non-members pay in keeping with the expense incurred. All companies which use the Chamber's service extensively should be members. Applications may be obtained at any of its offices.

Other Programs and Services

In the New York offices the Chamber has a library available for the use of its members and other interested parties. Its resources include statistical reference volumes, German and American directories, as well as books on legal and economic topics. The library also contains catalogs of fairs and exhibitions, selected American and German magazines and newspapers, as well as the Chamber's publications.

Meanwhile the Chamber has also made the directory of American subsidiaries of German firms available on a diskette. It enables users to build their own data bank with the aid of the updates issued annually by the Chamber.

Lists of addresses can be requested at any time. This reference material is updated constantly. We ask all companies concerned, especially American subsidiaries of German firms, to assist us in this effort.

Luncheons and other events round out the picture of Chamber programs. At the behest of the German Minister of Economics, the Chamber featured Minister Dr. Bangemann in a program conducted in Boston on Oct 18, 1988. This occasion marked the introduction of a new brochure: *West Germany—The Logical Choice*. All local diplomatic representatives attended the meeting.

On January 28, the German Ambassador to the United States, Dr. Ruhfus, spoke to the Chamber as its guest of honor at a luncheon held at the University Club in New York. Dr. Otto Graf von Lambsdorff, currently leader of the FDP's representation in the lower house of the German parliament, addressed Chamber members at the Pierre Hotel in New York on February 9.

Mr. Lee Raymond, president of Exxon Corporation, analyzed global oil market conditions in a talk presented at a Chamber luncheon held at the Pierre on April 25. Finally, Dr. Breuel, Minister of Economics of the State of Lower Saxony, delivered an address in New York on August 9.

The Chamber sponsored seminars on *Negotiating with Americans* on April 22 and November 18. Led by Dr. Rudi Bresser, a professor on the faculty of the City University of New York, these seminars were intended for Germans who conduct negotiations in the United States and require such know-how to perform their daily work. The favorable reaction of seminar participants is reflected in the following comment:

> "While . . . most . . . German businessmen are quite familiar with the technicalities of operating their companies in the United States, there seems to be an uncertainty as how to deal with cultural differences. The seminar covered this area precisely."

In the near future the Chamber expects to conduct additional seminars particularly in the area of cultural differences. Such variances between the two countries only become apparent with the passing of time, but are nevertheless enormously important to economic life.

News from the Chamber

The Chamber put on a fresh coat of paint, laid new carpeting and put new functional furniture in its offices in November. In addition, a Nixdorf computer system was installed toward the end of the month. It will enable the Chamber to perform its work procedures more efficiently and to establish new data banks, as well as to process information and contact referrals centrally in the future.

Mr. Mueller of the German Ministry of Economics has joined the staff of the Chamber. He will assist in the financial administration of the organization for the next three years. Cynthia Rotkin has become our new receptionist.

Outlook for 1989

Again a number of prominent guests have been invited to address our members at luncheons to be held in 1989. Announcements will be sent out to all members well in advance.

A seminar to deal with questions on the management of human resources with particular emphasis on the differences prevailing in the Federal Republic and the United States is in preparation. We also expect to deal with the issue of *Europe 1992*.

Publications projects for 1989 include a new, improved edition of the visa book (German/English), a completely new edition of the distributorship book which will also feature sample agreements, and a brochure on various aspects of founding a company in Germany. The Litigation/Arbitration book is currently being revised, and its treatment of arbitration is being substantially expanded. ■

Überblick

Die Handelskammer in New York: eine umfangreiche Palette von Dienstleistungen

Die Deutsch-Amerikanische Handelskammer ist eine bilaterale, gemeinnützige Mitgliederorganisation mit Zweigstellen in Atlanta und Houston. Insgesamt sind über 2.000 Firmen in den Vereinigten Staaten und der Bundesrepublik Mitglied der Kammern.

Das Hauptziel der Kammeraktivitäten ist die Förderung des freien Handels zwischen Deutschland und den USA. Dazu werden Firmen beider Länder beraten, Schriften und Bücher veröffentlicht und Seminare und Mittagessen veranstaltet, die der Erörterung aktueller Themen gewidmet sind.

Der Firmenberatung kommt ganz besondere Aufmerksamkeit zu. Die Unterstützung deutscher und amerikanischer Firmen bei der Geschäftsaufnahme im jeweiligen Partnerland, insbesondere hinsichtlich der jeweiligen gesetzlichen Bestimmungen, aber auch unter strategischen Gesichtspunkten, steht im Mittelpunkt des Angebots. Ergänzt werden diese Bemühungen durch individuelle Marktstudien, Partnersuche, Kooperationen, Joint Ventures oder den Vertrieb von Produkten.

Mitglieder und Interessenten können in der New Yorker Kammer eine Bibliothek einsehen, die mit statistischen Unterlagen, zahlreichen Verzeichnissen aus Deutschland und den USA, sowie Rechts- und Wirtschaftsfachbüchern ausgestattet ist. Messekataloge, ausgewählte amerikanische und deutsche Zeitschriften und die kammereigenen Publikationen runden die Auswahl ab. Alle Dienstleistungen stehen Mitgliedern kostenlos oder gegen eine ermäßigte Gebühr zur Verfügung; Nichtmitgliedern berechnen wir eine am Aufwand bemessene Gebühr.

Auch 1989 steht im Zeichen neuer Aktivitäten: Geplant sind eine verbesserte Neuauflage des zweisprachigen *Visabuches*, eine völlig überarbeitete Auflage des Buches zum Thema *Distributorship* mit Musterverträgen, sowie eine Broschüre, die über Aspekte einer Firmengründung in der Bundesrepublik Auskunft gibt. Eine Überarbeitung des Buches *Litigation/Arbitration* findet derzeit unter stärkerer Betonung des Schiedsgerichtsteils statt. ❑

Houston Report

Texas in Transition

by Manfred Dransfeld
Managing Director, Houston, Texas
German American Chamber of Commerce, Inc.

For many years, Texans held the firm belief that their state was recession-proof, that its vast reserves of natural resources and valuable real estate would shield it from the vagaries of the nation's business cycle. But when unemployment passed 9 percent in 1983 and 630,000 men and women were out of jobs, it became clear to rational businessmen that the good old days had ended. *Diversification* became the new slogan.

The future doesn't look bright for the two pillars of the Texas economy, agriculture and oil/natural gas, though their fundamental importance remains as great as ever. While sinking oil prices may be a blessing to the economy as a whole in that they serve to stimulate the economy, they have had serious consequences for Texas. Agriculture today accounts for only 5 percent of total employment, compared with around 30 percent in 1940. That should not imply that its importance can be denigrated: Texas still leads the country in cattle and cotton production.

But agriculture also has serious problems. Over the last three years, the number of farms and ranches has declined by 30,000 to 156,000, a substantial contraction. Even the state's largest ranch, the famous King Ranch, has made headlines with rumors that it was up for sale.

Many business leaders believe that the recession has streamlined the state's oil and natural gas industry into a more healthy organism, and that it has eliminated a species of speculators who had become wealthy over night.

However substantial Texas' oil and gas reserves may be,

the fact remains that they will diminish over time: Texas, its name long synonymous with oil, is slowly drying up. The extraction of its black gold is becoming more difficult, more expensive, and requires new technologies. In order to ensure the prosperity of future generations, Texas will have to broaden the base of its economy: no question about it, Texas is on the threshold of a new era.

The structural basis of Texas' economy is undergoing radical change. As it becomes more similar to that of the rest of the country in the next 25 years, it will shake off its dependence on oil and gas, and diversify. The process is already underway: while oil and gas production in 1980 accounted for 15 percent of the state's gross domestic product, that figure had slipped to 10 percent in 1985. By contrast, the services sector is showing particularly vigorous growth. The Dallas Federal Reserve Bank recently pointed out that further economic growth in Texas will be more dependent on the future course of the dollar than on the spot price of oil.

Texas has always been a state eager to undertake something new. A state once dominated by giant herds of cattle and wildcatters who earned fabulous wealth from the oil fields under its brown, dusty plains, nowadays enshrines men like Jack Kilby, one of the inventors of the pocket calculator and the semiconductor. The microchip, one of the truly revolutionary discoveries of this century, was introduced by Texas Instruments on September 12, 1958.

This year, another Lone Star success story, Houston-based computer manufacturer Compaq, is celebrating its sixth birthday. One of the country's leading high-tech companies, Compaq, rang up an astounding $110 million in sales in its first full year of business (1983). The next year sales tripled, and in 1986 this fast-track company made the Fortune 500 list of America's leading industrial companies. Last year's sales reached $1.2 billion, just five years after its birth, a new record in U.S. business history.

Still another example of Texas high-tech: several years ago, a consortium of 20 U.S. high-tech companies—the Micro-electronic and Computer Technology Corporation (MCC)—was established in Austin. MCC was founded with the express purpose of strengthening U.S. leadership in the design and manufacture of the next generation of computers and to counter the competitive threat posed by Japanese computer makers and other potential rivals. The consortium is a unique hybrid that received Washington's encouragement and moral support, but is privately financed. The 20 members, many competitors themselves, have contributed the services of some of their top engineers and scientists to achieving the ventures ambitious goals.

With high technology increasingly viewed as the wave of the future, an economy that was traditionally based on oil and real estate speculation is now diversifying into a new universe, one that is attempting to create a sort of *Silicon Prairie* between Dallas and Fort Worth as well as Austin and San Antonio.

Not least of all, many hopes are focused on a new project that will literally create thousands of jobs and millions in income. The project in question is the world's largest atom smasher that is scheduled to be built in Waxachie, south of Dallas: it is estimated that its construction and operation will cost almost $5 billion over the next 20 years, with operation planned to begin by the mid-Nineties.

It goes without saying that all of this presents the German American Chamber of Commerce in Houston with exciting new challenges. In addition to Texas, the Houston Chamber is also responsible for Arkansas, Louisiana, Mississippi, and Oklahoma, all of which have lost none of their attractiveness as sites for setting up a new U.S. subsidiary or a marketing base for the Southwest. Notwithstanding the recession that followed on the heels of a hectic boom, the region is poised to hit the comeback trail. ■

Überblick

Texas im Wandel

Viele Texaner standen lange Zeit unter dem Eindruck, die Reserven ihres Staates würden sie vom nationalen Konjunkturzyklus unabhängig machen und sie seien somit gegen eine Rezession gefeit. Als die Arbeitslosenquote 1983 jedoch auf über neun Prozent stieg und 630.000 Einwohner um Wohlfahrtsunterstützung anstanden, wurde vielen klar, daß die guten alten Zeiten ein Ende hatten.

In der Tat sieht die Zukunft der beiden Eckpfeiler der texanischen Wirtschaft—Landwirtschaft und Öl und Erdgas—nicht rosig aus. Die Energiewirtschaft des Staates ist fest an den internationalen Ölpreis gebunden und die Öl- und Erdgasvorräte sind überdies im Schwinden begriffen.

Darüber hinaus ließ die Krise der amerikanischen Landwirtschaft auch Texas nicht unberührt: Allein in den vergangenen drei Jahren ist die Zahl der landwirtschaftlichen Betriebe um rund 30.000 auf 156.000 gesunken. Eine Abwendung von der Öl- und Erdgasindustrie auf mehr Diversifizierung ist unausweichlich.

Große Hoffnungen werden auf High-Tech gesetzt. Unternehmen der Mikroelektronik und Computertechnologie haben sich ähnlich wie im kalifornischen Silicon Valley nun auch hier in der sog. *Silicon Prairie* niedergelassen. Der Südwesten der USA hat daher keineswegs an Reiz verloren: Die dortigen Standortvorteile sollten nach wie vor Unternehmen anziehen und damit die Deutsch-Amerikanische Handelskammer in Houston, die auch für die Staaten Arkansas, Oklahoma, Mississippi und Louisiana zuständig ist, beschäftigt halten. ❑

Atlanta Report

The Chamber in Atlanta: A Decade of Service

by Jan A. Eggert
Director, Atlanta, Georgia
German American Chamber of Commerce, Inc.

The office of the German-American Chamber of Commerce in Atlanta has been working for ten years to cultivate closer economic ties between the United States and the Federal Republic: The office was opened on October 6, 1978, the seventh Chamber affiliate in the U.S. Its area of responsibility comprises the states of Alabama, Florida, North and South Carolina, Tennessee, and Georgia. The increasing economic importance of the southeastern United States and the growing pressure of German direct investment in the region were the main reasons for establishing this office in Atlanta.

These six states are a major component of what has come to be known in this country as the *Sun Belt*. The six states in aggregate are approximately three times the size of the Federal Republic of Germany. With a total population of around 35 million, the region accounts for 16 percent of the U.S. population, a share that is forecast to grow to 20 percent by the year 2000.

A Changing Economy

Atlanta, the capital of Georgia, is generally considered to be the major city of the Southeast. Not least of all, its international airport, the second busiest in the world (after Chicago), has made Atlanta one of the main transportation hubs in the United States. The excellent transportation and communications facilities offered by Atlanta have been a key attraction to the many retailing businesses and industries, many with a distinct international orientation, that have established a presence in Atlanta. However, economic growth in the region is certainly not concentrated primarily in Atlanta, and a number of other cities throughout the region have also become major business centers.

The overall economic development of the region has long been dominated by traditional, labor-intensive industries such as textiles, clothing manufacture, and timber. But this has been shifting in the past few years, with a noticeable bias toward construction, trade and service industries. The latter three categories alone created 488,000 new jobs from 1974 to 1985, while the Southeast's textile industry lost 27,000 jobs.

In the period 1982-1985, employment in the Southeast grew by 11.7 percent, as compared with a nationwide figure of 6.3 percent. Similarly, personal income over this same timeframe leaped by 22 percent versus a national average of 19 percent.

The robust growth in these two areas has not only boosted the Southeast to greater overall growth rates than the national average, but has also contributed to creating a broader economic base for the region: the manufacture of consumer goods by a few industries is no longer the backbone of the region's business cycle. Rather, it now possesses a strong services sector, which in turn has facilitated further investment in the manufacturing sector. However, the loss of manufacturing jobs at the expense of gains in services employment is expected to continue for the foreseeable future.

Strong Magnet for Business Investment

A significant role in this favorable and generally above-average economic growth in the Southeast has been played by two trends that have been accelerating in the past few years: a noticeably stronger orientation by American companies toward this dynamic region and growing interest in the Southeast on the part of foreign investors.

An efficient transportation system, a good infrastructure, a relatively low cost structure, and the availability of a well qualified pool of labor have made the region particularly attractive for companies who want to make their initial entry into the U.S. market. These factors are augmented by the fact that nearly three-quarters of the most important markets in the United States can be reached within one day's travel time from the most important regions of the Southeast.

These same features that have caught the attention of American companies have also lured German corporate investors in growing numbers. For instance, in the year of the founding of the Chamber's office in Atlanta, 1978, some 170 German companies had subsidiaries in the Southeast; that number has now grown to over 500, with the majority active in the mechanical engineering, chemical, electronics, services, and trade industries. Although most of these are medium-sized companies, large German corporations are also well represented. From the geographical perspective, the German business presence is concentrated in Florida, North and South Carolina and Georgia.

Multiple Attractions

The reasons for locating their companies in the Southeast were many and diverse. One study prepared by Georgia summarized the following as the major attractions of that state to foreign investors in order of importance:

- Transportation network
- Proximity to key industries or markets
- Living conditions/climate
- Quality and cost of labor
- Opportunity for making acquisition
- Overall growth in the Sun Belt
- Atlanta as distribution center
- Communications
- Low taxes
- Availability of raw materials/suppliers
- Availability of real estate, buildings, office space

For purposes of direct investment, I believe that the State of Georgia may be viewed as generally representative for the entire southeastern region. To be sure, depending on the specific goals of an individual company, the order of importance may vary, making other states correspondingly more attractive to the corporate investor.

As a result of the swift economic development of the past two decades, a number of problems have admittedly surfaced, which reflect the negative aspect of progress. A growing disparity between growth in rural and urban areas, environmental damage, deficiencies in the infrastructure, and weaknesses in educational and vocational programs are a few of the challenges that the southeastern states must confront.

However, none of this alters the fact that the area's traditional advantages remain virtually as attractive as ever, most particularly for medium-sized firms seeking to establish a presence in the United States for the first time. The German-American Chamber of Commerce in Atlanta is always ready to provide information, advice, and referrals to interested parties. ■

Überblick

10 Jahre deutsch-amerikanische Handelskammer im Südosten der USA

Das 1978 gegründete Büro der deutsch-amerikanischen Handelskammer in Atlanta ist verantwortlich für die sechs Südost-Staaten Alabama, Florida, Georgia, Nord- und Süd-Carolina sowie Tennessee. Ausschlaggebend für die Einrichtung eines Kammerbüros in diesem Teil der USA waren die wachsende wirtschaftliche Bedeutung sowie die zunehmende Präsenz gerade deutscher Firmen in dieser Region.

Ein leistungsfähiges Verkehrsnetz—Atlanta ist der zweitgrößte Flughafen der Welt—, niedrige Produktionskosten und die Verfügbarkeit von Arbeitskräften haben den Südosten zum Anziehungspunkt nicht nur der amerikanischen Industrie, sondern auch ausländischer Investitionen werden lassen. Die Beschäftigung wuchs zwischen 1982 und 1985 im Südosten um 11,7%; der Bundesdurchschnitt lag nur bei 6,3%. Ebenso nahm das persönliche Einkommen im gleichen Zeitraum um 22% zu, verglichen mit 19% bundesweit.

1978, dem Jahr der Kammergründung in Atlanta, waren etwa 170 deutsche Firmen mit Niederlassungen in diesem Teil der USA vertreten, heute sind es über 500. Insbesondere für mittelständische Unternehmen ist der Südosten der ideale Einstiegsmarkt in die USA. ❑

California Report

German American Chamber of Commerce of the Pacific Coast, Inc. San Francisco, CA

1988
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German American Chamber of Commerce of Los Angeles, Inc.

Los Angeles, CA

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California, Where the Future's Already Begun

by Peter Moser and **Adam J. Heidenreich**
Managing Director
German American Chamber of Commerce of Los Angeles, Inc.
Managing Director
German American Chamber of Commerce of the Pacific Coast, Inc.

Imagination and farsightedness do not appear to have been among Mexican General Santa Anna's more conspicuous qualities. How else can one explain his decision to sell the United States his northern province of California in 1848 for a mere $15 million? He may well have immediately regretted the transaction when gold was discovered that same year at Sutter's Mill, an event that set off the fabled gold rush, a mass migration of a dimension this continent had never before witnessed.

By contrast, Russia's Tsar Alexander II was regarded as a political reformer and statesman. But even he could scarcely have conceived of the consequences of the transaction he concluded in 1867 that transferred ownership of Alaska from Russia to the United States for $7.2 million. Still, it took a gold find several decades later to quiet the derisive references to *Seward's Folly* and give the U.S. Secretary of State his due as a crafty deal-maker.

California is the southernmost and Alaska the northernmost of the 13 Western states that comprise the area served by the German American Chambers of Commerce in Los Angeles and San Francisco in California. Viewed from Europe, this huge region may seem to represent nothing more than the left rim of the United States, but the people who live here consider it the pivot of entrepreneurial spirit, progress, innovation, and a compass toward the future of the United States.

That attitude applies most especially to California, a state that occupies a unique position in the U.S. and on which this report will focus. Reckoned in terms of gross domestic product, it has the seventh largest economy in the world, ahead of countries like Canada, Brazil, Italy, or Spain. It is also the United States' most populous state and continues to maintain the highest growth rate. Its per capita income is exceeded only by New York, and lies substantially ahead of such major states as Florida, Illinois, and Texas. In such key sectors as aerospace, electronics, construction, and agriculture it enjoys a position of undisputed leadership, and also leads the rest of the country in the number of scientists, engineers, research institutes, laboratories, and universities.

But California also has other faces, and its much-vaunted future-orientation is frequently interpreted negatively by many critics. For many of the legal and illegal immigrants from Asia and Latin America, California may seem not to have changed much since John Steinbeck described it in *Grapes of Wrath,* a stark contrast to the flashy image projected by California's tourist and economic development industries.

There's yet another California, the California of modest wage earners who are forced by Los Angeles' and San Francisco's exorbitant rents to live three-four hours commuting distance from their work places, to drive to work on traffic-clogged freeways; like many other Americans, they are increasingly giving up on the hope of ever owning their own home. Los Angeles, with a metropolitan radius of 62 miles, is a fascinating economic cosmos. At the same time, it's also a classical example of failed city and public transportation planning. In competing with the East coast for economic primacy, it has ruthessly ignored environmental common sense. Not least of all, Silicon Valley is certainly no paradigm for environmentally sound industrial development.

Visible Trend In Foreign Trade

The increasing role of international trade in the U.S. economy over the recent past is particularly evident in California. Since 1970, the value of exports and imports in the western states, including California, has almost quadrupled, and now accounts for almost 20 percent of the regions's gross domestic product. Like the rest of the country, the region has been registering ever expanding trade deficits—due to a massive inflow of imports and a negative trend in exports that began to reverse itself only in 1987.

Geography has made the western states natural trading partners with the nations of the Pacific Basin, a bridgehead as it were. In 1987, four of the five leading exporters to California were Asian nations, and five Far Eastern nations—Japan, Taiwan, South Korea, Hong Kong, and Singapore—acccounted for two-thirds of the state's foreign trade.

Despite a continued appreciation of the mark in 1987 (the most recent figures available), trade between California and the Federal Republic continued along a path that had already been cut out several years earlier: California's trade deficit with West Germany rose from $1.468 billion in 1986 to $1.704 billion. Actually, given the structure of the merchandise exchange, this imbalance is not terribly surprising. To wit, the relative strength or weakness of the dollar and thus the cost of imported products does not really affect the market for most German exports to California since these largely consist of manufactures that have no domestic competition; hence, they are price-sensitive to only a limited degree.

The mix of German exports to California has hardly changed over the last few years: including components and spare parts, two-thirds of German exports to California consist of high-performance automobiles. The remainder consists of goods such as specialty machine tools, heavy equipment, and other types of machinery.

California, on the other hand, offers a far broader assortment of exports to the Federal Republic. The ten most important product categories comprise a full 92 percent of its aggregate exports to Germany. To be sure, 75 percent of the total consists of machinery and transportation equipment, as well as optical and scientific equipment.

This comfortable state of affairs for German exporters started to change in 1988, and the slippage is likely to continue for some time. The reason: the appreciation of the mark has reached the point where consumers are beginning to balk at the price tags. Automobiles have been among the main casualties, with sales plunging by as much as 25 percent compared with 1987.

For their part, German imports from the western states will continue to expand. The big winners will be capital goods, which have benefited strongly from the lower dollar. In addition, exports of consumer goods (food and agricultural products and clothing) will also climb, as this sector increasingly reaps the rewards of renewing old marketing contacts and establishing new ones.

Foreign Direct Investment

But California's very special significance to the U.S. foreign accounts applies to foreign direct investment as well as to trade. According to the most recent global survey (1984), of 9,144 American firms who reported either minority or majority foreign ownership, 2,223 were located in California, 1,982 in Texas, 1,698 in New York, 1,410 in Florida, and 1,025 in Illinois.

Among these foreign investors between 1976 and 1985, Japan—with 376—led the pack, followed at some distance by Canada (202), and Great Britain (153). These three countries, alongside the Federal Republic (79) and France (57), accounted for 75 percent of all foreign direct investment in California.

In terms of value, Canada barely beat out Japan ($3.9 billion versus $3.8 billion), but the latter created the most jobs (53,100), followed by Great Britain (47,270), and the Federal Republic (43,600). Not surprisingly, most of these investments were concentrated in or around Los Angeles or San Francisco.

Aid in a Neglected Market

The Chambers in Los Angeles and San Francisco offer interested German businessmen a multifaceted range of services, from marketing studies and industry symposiums to trade fair information and marketing cont acts. One question that continues to puzzle is why so many German firms entering the U.S. market do not prepare themselves thoroughly and reject preliminary consultation with professional experts, preferring, for example, to start up with mailing lists rather than a solid study of opportunities and risks. The yellow pages in the L.A. or San Francisco telephone books are as valueless as they would be in Quito or Kuala Lampur. Easy access to information is too frequently confused with giving away business secrets, and the candor of California businessmen too often elicits suspicion; not least of all, language barriers are commonly underestimated.

The opportunities for medium-sized German companies in the U.S. will almost invariably be in market niches. But the concept of a market niche in California, where innovative entrepreneurs are lionized, has less to do with brilliant brainstorms than with concentration, continuity, and consistency. And these happen to be qualities that are not rare among German businessmen. Last but not least, *Made in Germany* in California may not exactly be the key to success, but it's going to get a potential customer's attention in a state that's already satiated with cheap Asian imports. ■

Überblick

In Kalifornien hat die Zukunft bereits begonnen

Kalifornien ist der südlichste, Alaska der nördlichste der dreizehn westlichen Bundesstaaten den USA, die den Tätigkeitsbereich der Deutsch-Amerikanischen Handelskammern San Francisco und Los Angeles ausmachen. Aus europäischer Weltsicht ist dies ein Bereich ganz am äusseren linken Rande, im Selbstverständnis der Amerikaner im Westen des Kontinents ist diese Region der Dreh- und Angelpunkt all dessen, was sich mit Gründergeist, Innovationskraft, Fortschritt und Zukunftsglaube verbindet.

Die Zunahme der aussenwirtschaftlichen Verflechtung der USA im Laufe der vergangenen Jahre ist im Fall Kaliforniens besonders ausgeprägt. Seit 1970 hat sich der Wert der Warenströme von und nach Kalifornien und damit in den Westen der USA fast vervierfacht. Er beträgt inzwischen fast 20% des Bruttoinlandsprodukts der Region. Im Warenaustausch zwischen Kalifornien und der Bundesrepublik setzte sich trotz erheblicher Veränderung der Währungsparität 1987 der Trend der Vorjahre fest: Das kalifornische Handelsbilanzdefizit erhöhte sich von $1,468 Mrd. 1986 auf $1,704 Mrd. 1987.

Nach Grossbritannien und den Niederlanden steht die Bundesrepublik als Herkunftsland europäischer Investitionen in Kalifornien an dritter Stelle. Nach dem Anlagewert entfallen auf Kalifornien mit 1,3 Mrd. Dollar 5,5% sämtlicher deutscher Investitionen in den USA. 11,4% aller Mitarbeiter bei amerikanischen Unternehmen mit deutscher Beteiligung sind in Kalifornien beschäftigt.

Die Chancen gerade mittelständischer deutscher Unternehmen in den USA werden immer im wesentlichen Marktnischen-Chancen sein. Hierbei hat der Begriff der Marktnische jedoch gerade in Kalifornien, wo innovatives Unternehmertum grossgeschrieben wird, nicht so sehr mit genialen Einfällen sondern eher mit Konzentration, Kontinuität und Konsistenz zu tun. Unter diesen Voraussetzungen verfügen deutsche Unternehmen nach wie vor über komparitive Vorteile. ❑

Chicago Report

German American Chamber of Commerce of Chicago
Chicago, IL

1988
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The Chicago Chamber Celebrates Its Silver Anniversary

by Niels G. Friedrichs
Managing Director
German American Chamber of Commerce of Chicago

On a sunny July 1, 1963, 15 businessmen in Chicago followed an invitation of the Consul General Dr. Guenther Motz, to meet at the University Club in one of its tradition-laden rooms to meet the new president of "a" German American Chamber of Commerce of Chicago to be put into life that day. Carl M. Blumenschein, Sen. V.P. and CEO of Container Corporation of America was selected by Dr. Motz to serve as the president. 14 outstanding personalities in the business community were also invited to become *directors* to serve for an organization, which was to be a totally new concept in Chicago: a non-government and non-political, trade representation of West Germany for a service area of the Midwestern States, fully sanctioned and supported with a subsidy by the *Deutscher Industrie-und Handelstag* (German National Chamber of Commerce) called DIHT.

This office, although subsidized by the German Foreign Trade interests, was to be placed into Chicago, maintained *modest but efficient* facilities to serve its members and its area. It was to be run by a *manager* with a secretary.

Henry A. Abt, General Manager of the German American Chamber of Commerce, Inc. New York, had, up to this day, ran a successful office of this kind in New York. He had personally opened and managed this office right after WW II, first as a *sales promotion* office, but later founded and changed this New York organization into the *German American Chamber of Commerce, Inc.* together with Mr. K. Gauerke, who also was involved in successful German promotional efforts. It was Henry Abt, with the full support of the DIHT, who saw early, as far back as 1960, that New York alone could not serve the entire U.S.A. and also the US Midwest was rapidly evolving into an important trading area for the Federal Republic of Germany. It was, therefore, a logical development that Henry Abt, while meeting with Consul General Guenther Motz, quickly agreed to open a *Midwest* office.

At about the same time, Dr. Motz, faced with the prospect of finding a suitable *manager* for this project, met with Niels G. Friedrichs, who served the Consulate General in Chicago as representative of Lufthansa German Airlines which at that same time started to increase its presence and business in the Chicago area by switching from the *Super Constellation* and twice weekly flights to Frankfurt, to the new Boeing 707 jets and flew them, *non-stop* Chicago to Frankfurt, later on a daily schedule. Niels Friedrichs, when offered the position of a *manager* with this *Chamber of Commerce,* applied for it and was hired a day later.

On that 1st of July 1963, 15 businessmen looked at Niels Friedrichs and elected him as their manager. This was after Thomas Coulter, the Executive Director of the Chicago Association of Commerce and Industry, gave him a glowing endorsement. He knew Friedrichs from his dealings with fledgling Lufthansa. Bankers like Bently McCloud of First National Bank, Al Miossi of Continental Bank, Lambert Bredehoff of Harris Bank, lawyers like Russel Baker Sr. of Baker McKenze and Hightower, gave their nod and endorsement.

The Consul General found a room at the 104 South Michigan Building, as a sub lessor of Lufthansa. Carl M. Blumenschein of Container Corporation even donated some used office furniture—and the German American Chamber of Commerce of Chicago was off and running.

And it did not work without a hitch. The legal title of a *German American Chamber of Commerce of Chicago* was held by General Julius Klein of Julius Klein Public Relations, an important post-war contact for German industries to get a foothold in the U.S. market. General Klein graciously released the title to the German Government in order to make operations possible.

But at that time, to be exact from 1963 until about 1966, another office existed in Chicago, the *German American*

Chamber of Commerce of the Midwest under the management of a Dr. Henry Frederiks, a totally private operation, it created confusion at the beginning, especially with the names of the organizations and its manager sounding so much alike. It took a few years of confusion and *diplomacy* for the new manager of the GACC to solve this problem. By just working hard and proving that this GACC was the official one, by steadfastly following the credo of promoting trade and goodwill in both directions, this unexpected complication was solved. The so called *Midwest* Chamber closed.

July 1963 showed approximately 20 members on record. Quickly this number moved upward as word got out that there finally was an office that *worked*, an office honestly interested in promoting trade between the Federal Republic of Germany and the U.S. Midwest. The New York Office supported these efforts with dedication by Henry Abt whose New York Office had turned into a large operation with 35 employees and a host of good publications. This cooperation between New York and Chicago, the good support of the DIHT in Bonn, the close cooperation with the Chicago Consulate General made work for the small but active GACC a success. President Carl Blumenschein actively supported his newly opened office. Soon the German companies followed.

Carl Blumenschein was succeeded by George Thieman, Partner at Arthur Andersen & Co., and then by Gerard E. Keidel, Sen. V.P. American National Bank & Trust Co., Earl R. Fiene, President and CEO Robert Bosch Corporation, Broadview, Illinois, and finally in 1978 by Peter H. Merlin, Partner with Gardner, Carton & Douglas, a distinguished international law firm in Chicago. Mr. Peter Merlin, President of GACC up to this day, is the only remaining Board Member of the *original 15* and has led the GACC by his enlightened leadership to its strong position in the international business community of the Midwest today.

Robert Bosch, moving its headquarters from New Jersey to Chicago and Siemens, running a successful office for their medical division in Rosemont, were the early joiners and supporters. In 5 years the GACC had over 100 dues-paying members. The Volkswagen and Mercedes-Benz offices followed, later the German banks, the Commerzbank, the Dresdner Bank, the Bayerische Vereinsbank and later the Deutsche Bank. And more and more German manufacturers and distributors were to follow.

The GACC was now fully functioning. The ties to the U.S. Department of Commerce, Chicago, were close and first ties to the State of Illinois were made under Governor Otto Kerner. All these cooperations have evolved into close and fruitful connections under Illinois Governor James Thompson and his Department of Commerce with offices in Chicago, Springfield and Brussels, Belgium to the benefit of all who are interested in German American trade relations.

The German trade fairs saw right from the start that the GACC was a natural for representing these growing German international trade fairs in the U.S.A., as the U.S. trade fairs of McCormick Place started to see the benefits of working closer with the fairs in Germany. The GACC Chicago got involved. Actively and deeply. And still is today! All major trade fairs today have a sizeable German exhibitor and visitor participation.

From a small subleased room from Lufthansa, the GACC has slowly increased its office space over 25 years from a modest 300 square foot room to a 2,500 square foot suite, always in the same location. From a small dark room, after 3 moves within the Monroe Building, to a modern, airy and efficient suite. Today, after a 25-year period of steady growth, the GACC is proud to serve its members with a staff of 4 persons and 2 law interns, in modern rooms with all facilities and equipment.

Coinciding with this anniversary will be the installation of a Nixdorf Computer system which eventually will be compatible with the inner German computer network of all its Chambers of Commerce. The GACC will be the most active—as it has been all the time, the most efficient, the best equipped and therefore the most *useful* trade office of any nation in the Chicago area.

After 25 years we are proud and happy to be able to make a statement like this. The future for the GACC of Chicago looks bright! German American trade relations have developed into a *winning situation* for both sides. All signals are on *go* for the next 25 years. ■

Überblick

Kammer in Chicago feiert sein Silberjubiläum

Seit einem Vierteljahrhundert ist die German American Chamber of Commerce in Chicago erfolgreich bemüht, dem deutschen Geschäftsmann, der in den US-Markt einsteigen möchle, mit Rat und Tat zur Seite zu stehen. Verglichen mit der BRD ist der US-Markt so überwältigend in seinen Ausmassen, dass es unseren deutschen Klienten eher bedrohend als freundlich erscheint. Es ist unsere vornehmliche Aufgabe, dem deutschen Geschäftsmann diesen riesigen Markt "menschlicher" zu präsentleren.

Die AHK Chicago arbeitet seit Jahren mit grossem Erfolg mit den Wirtschaftsförderungsämtern der US-Bundesstaaten zusammen, im Falle Illinois mit derem sehr tüchtigen Büro in Brüssel, das für die BRD zuständig ist. Es ist die erfolgreiche Philosophie der AHK Chicago, mit den vielen USA-Behörden eng zusammenzuarbeiten, um einem Deutschen einen reibungslosen Start in den USA zu ermöglichen. Eine Gruppe hoch qualifizierter Anwälte, Steuerberater, Wirtschaftsprüfer, usw. stehen unseren deutschen Klienten auf Abruf zur Verfügung. Es ist die "100 %-Dienstleistungs-Palette", die uns in 25 Jahren Arbeit viele Freunde in der BRD gemacht hat. ❑

Information Sources . . .

Government

Embassy of the Federal Republic of Germany
4645 Reservoir Road NW, Washington, DC 20007. Tel. (202) 298-4000

German Information Center
950 Third Avenue, New York, NY 10022. Tel. (212) 752-6691

Embassy of the United States of America
5300 Bonn 2; Deichmanns Au

Bunderminister fur Wirtschaft
(*Ministry of Economic Affairs*) 5300 Bonn-Duisdorf; Villemomblerstr. 76

Bundesminister der Finanzen
(*Ministry of Finance [incl. Department for Customs & Duties]* 5300 Bonn 1; Graurheindorferstr. 108

Presse-und Informationsamt der Bundesregierung
(*Public Relations Department of the Federal Government*) 5300 Bonn 1; Welckerstr. 11

Statistisches Bundesamt
(*Federal Department of Documentation and Statistics*) 62 Wiesbaden; Gustav Stresemann Ring 11

Deutsches Patentamt
(*Commissioner of Patents*) 8 Muenchen 22; Zweibrueckenstr. 12

Bundeskartellamt
(*Federal Antitrust Agency*) 1 Berlin 61; Mehringdamm 129

Deutsche Bundesbank
(*German Federal Reserve Bank*) 6 Frankfurt/Main 50; Wilhelm-Epstein Strasse 14

Public Authorities

Deutscher Normenausschuss
(*German Committee for Industrial Standards*) 1 Berlin 30; Burggrafenstr. 6

Bundesanstalt fur Arbeit
(*Federal Employment Agency*) 85 Nuernberg; Regensburgerstr. 104

Binational Institutions

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Industrial and Trade Associations

Bundesverband der Deutschen Industrie e.V.
(*Association of German Industries*) 5 Koeln 51; Gustav Heinemann Ufer 84-88

Bundesvereinigung der deutschen Arbeitgeberverbaende
(*Umbrella Association of employers' organization; counterpart of the Umbrella Organization of Labor Unions*) 5 Koeln 51; Gustav Heinemann Ufer 72

Deutscher Industrie-und Handelstag
(*Association of German Chambers of Industry and Commerce*) 5300 Bonn 1; Adenauerallee 148

DBG Deutscher Gewerkschaftsbund Bundesvorstand
(*Umbrella Organization of Labor Unions*) 4 Duesseldorf 30; Hans Boeckler Str. 39

Bundesverband des deutschen Gross-und Aussenhandels e.V.
(*Organization of exporters/importers and wholesalers*) 5300 Bonn; Kaiser Friedrich Str. 13

Hauptgemeinschaft des deutschen Einzelhandels e.V.
(*Retailer Association*) 5 Koeln 1; Sachsenring 89

Centralvereinigung deutscher Handelsvertreter und Handelsmaklerverbaende
(*Umbrella Association of brokers, agents and representatives*) 5 Koeln 41; Geleniusstr. 1

Gesamtverband der deutschen Versicherungswirtschaft
(*Association of the Insurance Industry*) 5 Koeln 1; Ebertplatz 1

Zentralausschuss der Werbewirtschaft e.V.
(*Association of Advertising Agencies and Public Relations*) 5300 Bonn - Bad Godesberg; Villichgasse 17

Ausstellungs- und Messeausschuss der deutschen Wirtschaft e.V. (AUMA)
(*Organization of Congresses and Trade Fairs*) 5 Koeln 1; Lindestrasse 8

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the German American Chamber of Commerce

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Licensing Technology and Trademarks in the United States *Lizensierung von Technologie und Warenzeichen in den USA*	1988	408	$38./DM 58.	$48./DM 68.
Starting a Business in Germany — Some Legal and Tax Aspects (available in English only / nur in englischer Sprache verfügbar)	1989	72	$30./DM 48.	$40./DM 58.
Distributorship Agreements in the United States *Das Handelsvertreter— und Eigenhändlerrecht in den USA*	1989	285	$30./DM 48.	$40./DM 58.
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Public Offerings of Securities by Foreign Companies in the USA *Öffentliche Plazierung und Börsenzulassung von Aktien ausländischer Gesellschaften in den USA*	1983	75	$15./DM 25.	$20./DM 35.
United States — German Economic Yearbook 1988 *Deutch-Amerikanisches Wirtschaftsjahrbuch 1988*	1989	224	$17./DM 33.	$22./DM 43.

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Visa und Arbeitserlaubnis für die USA	1986	120	$15./DM 25.	$20./DM 35.
Wichtige Standards, Normen und gesetzliche Bestimmungen für den Konsumgüterexport in die USA	1984	185	$20./DM 30.	$25./DM 40.
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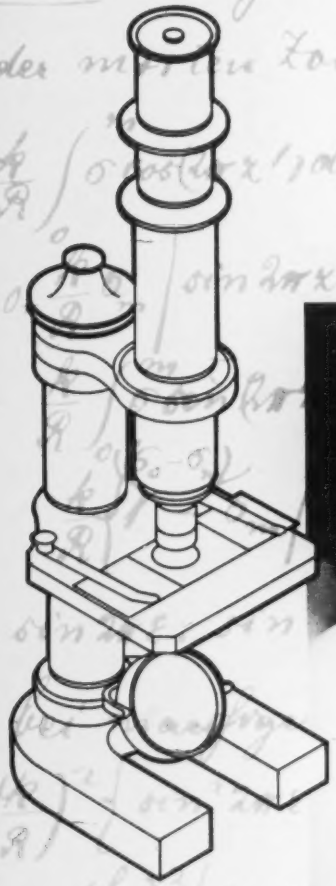

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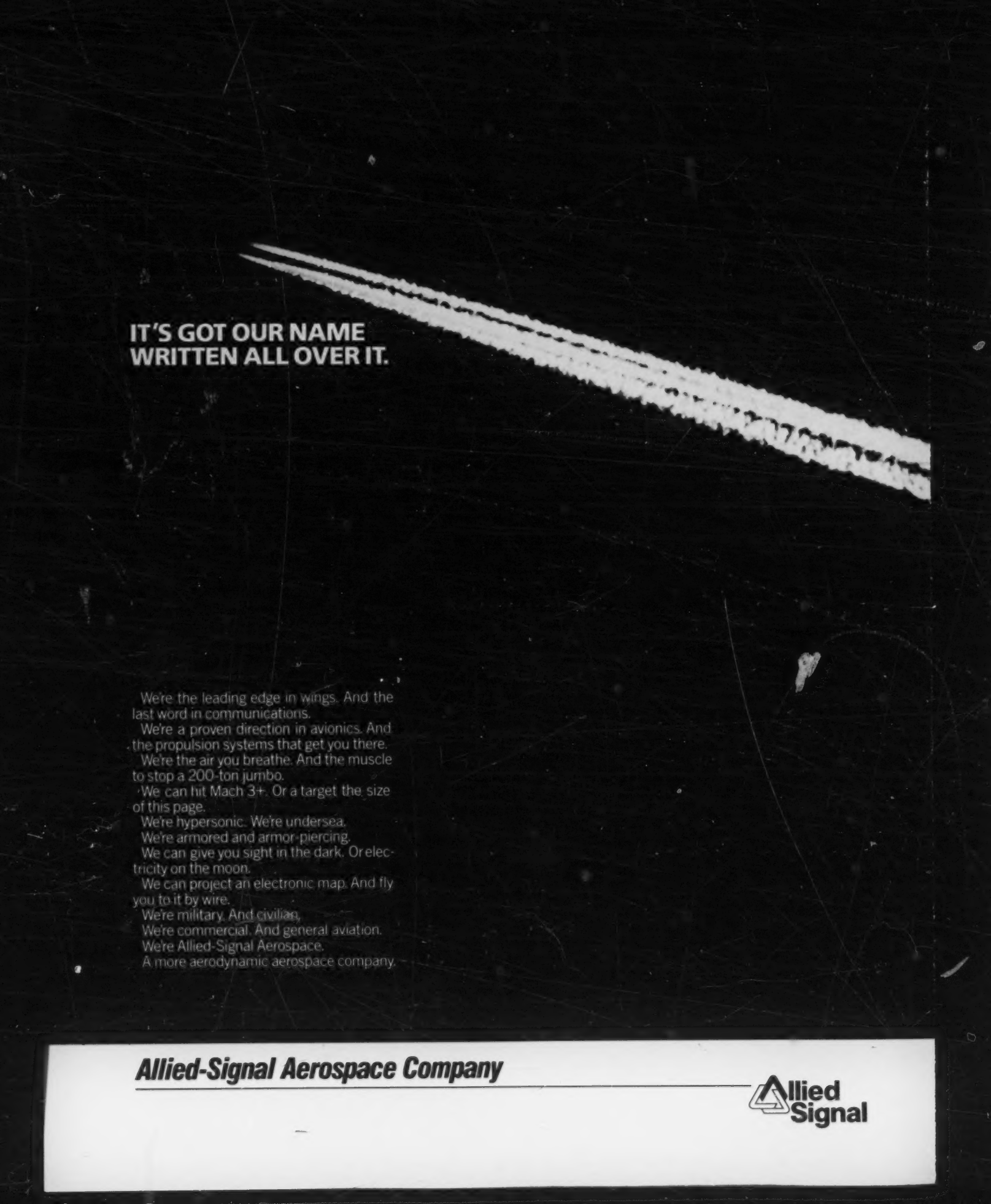
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PROFILES

AEG

AEG AKTIENGESELLSCHAFT is an advanced technology company specializing in electrical and electronic systems for industrial automation, transportation, communication and information.

A member of the Daimler-Benz Group, AEG is represented worldwide in 111 countries through a network of 58 subsidiaries and numerous affiliates. The foreign subsidiaries support AEG's worldwide activities by contributing engineering expertise, and by supplying complete installations, components, commissioning and service.

AEG has over 80,000 employees with annual sales of $7 billion worldwide. Research & Development alone employs almost 7,000 people. AEG increased its R & D expenditures in 1987 to $500 million to further its technological expertise.

Manufacturing facilities in 40 West German cities and 12 other countries provide modern technical products which AEG markets internationally with success.

Recently AEG has expanded its U.S. presence and today it has several American subsidiaries. The U.S. headquarters is AEG Corporation in Somerville, New Jersey. AEG Olympia, also in Somerville, New Jersey, provides office, information and communication systems to the U.S. market. AEG Power Tool Corporation in New London, Connecticut supplies high quality power tools for industrial users and contractors. MODCOMP, located in Ft. Lauderdale, Florida, is a leading supplier of real-time computer systems, products and services. PROMOD, in Lake Forest, California, is AEG's high-tech software company specializing in the field of computer-aided software engineering and programming. AEG recently acquired MODICON and Modicon Motion (formerly the Industrial Automation Systems Group of Gould), industrial automation specialists, headquartered in North Andover, Massachusetts. MODICON complements AEG's strength in industrial systems. Another recent undertaking is the joint venture between the transportation divisions of AEG and Westinghouse Electric Corporation, which also includes the Los Angeles-based Magnetic Transit of America (MTA). The new joint venture company is AEG Westinghouse Transportation Systems, and it will provide, among others, rubber-tired and magnetic levitation technologies, automatic train controls and automated people-mover systems. In addition AEG's sales activities in the U.S. include, among others, traveling wave tubes, components and power semiconductors.

For more information on AEG, please write to: Diane Zediker, Corporate Communications, AEG Corporation, 3140 Route 22, Somerville, New Jersey 08876-1269 or call at 1-201-231-8405. □

AMK Berlin

AMK BERLIN COMPANY for Exhibitions, Fairs and Congresses is a Berlin-based service company engaged in the organisation and implementation of national and international trade fairs, exhibitions and congresses, as well as sporting events, popular entertainment and cultural events. The work carried out by AMK Berlin helps to promote contacts in business and science, and focuses international attention on the city.

AMK Berlin operates on behalf of the Land Berlin:

- Exhibition Grounds and Radio Tower (Funkturm)
- International Congress Center Berlin (ICC Berlin)
- Deutschlandhalle auditorium
- Eissporthalle auditorium
- Film Fair Center

The structure of AMK Berlin reflects the company's various projects. There are three Corporate Divisions dealing with *Trade Fairs and Exhibitions*, *Congresses* and *Sport and Entertainment.*

AMK Berlin maintains a network of representatives in 38 countries in all five continents. It is legally constituted as a limited liability company under German law. It's partners are the Land Berlin, The Berlin Chamber of Industry and Commerce and others.

Berlin is the venue for a number of leading international trade fairs, exhibitions and congresses, many of them in the form of combined trade fairs and congresses. The main international events are:

- International Green Week Berlin (agricultural show)
- International Tourism Exchange ITB Berlin
- International Audio and Video Fair Berlin
- Overseas Import Fair *Partner for Progress*
- WASSER Berlin (Congress and International Fair Water Supply)
- SURTEC Berlin (surface technology).

Moreover AMK Berlin has been responsible for the official participation by the Federal Republic of Germany in trade fairs around the world.

Today, nine years after its inauguration, the International Congress Center Berlin (ICC Berlin) continues to maintain its leading position on the international meetings market.

AMK Berlin Gastronomie (AGG), under the management of Kempinski Congress GmbH is a subsidiary company that maintains a comprehensive range of catering services during the various events. □

Allied Signal

ALLIED-SIGNAL AEROSPACE COMPANY is one of the world's largest suppliers of advanced technologies and services for aviation and space applications. Its products range from tiny sensors and circuits to powerful engines.

Allied-Signal Aerospace Company owns a heritage that extends to the pioneering days of powered flight. Its divisions carry trade names like Bendix, Garrett, and AiResearch: businesses which have supplied engines,

avionics and other components essential to nearly every type of aircraft and spacecraft in the free world.

But this company has more than a storied past; it also has an exciting future. Its divisions are preparing the way for man's continued utilization of the aerospace environment.

For example, AiResearch Group's **AiResearch Tucson Division** is a leading producer of electronic engine controls and manufactures diagnostic equipment and electronic controllers for aircraft actuation systems. **Bendix Avelex,** one of Canada's key aerospace manufacturers, is continuing development and production of thermal imagers and night vision goggles. **Electrodynamics Division's** state-of-the-art technology includes fly-by-light actuators for the *Light-Hawk* helicopter.

Avionics Group's **Communication Division** is in the forefront of high-tech air traffic control systems and is a leading supplier of communications security (COMSEC) equipment to the National Security Agency. And, **Bendix/King** avionics systems and technologies set industry standards; particularly in the new-technology TCAS (Traffic Alert Collision Avoidance Systems).

Garrett Auxiliary Power and **Garrett Engine** divisions dominate their markets. Garrett provides APU's for more than 90% of the major commercial airliners in the free world and Garrett's TFE731 is the world's preeminent business aircraft turbofan engine family with more than 6,000 units now in service.

Bendix Engine Controls and **Bendix Wheels & Brakes** divisions are equally as dominant. The Bendix engine control system for the Pratt & Whitney F100 is one of the most advanced available and is used on the USAF F-15 and F-16. And, virtually every airline in the Western world uses Bendix landing system components known for quality engineering and manufacture.

Services Group's **Garrett Processing Division** is involved in extensive research into the development and use of next-generation ceramic materials. **Bendix Field Engineering Corporation** provides support for every major U.S. space endeavor and operates and maintains the Washington/Moscow Hotline.

Allied-Signal Aerospace Company is all of these and more. Around the world, countless aircraft, aircrews and passengers rely on the skills, expertise and professionalism of the more than 50,000 people who call Allied-Signal Aerospace *their* company. □

ARTHUR ANDERSEN &CO
SOCIETE COOPERATIVE

THE ARTHUR ANDERSEN WORLDWIDE ORGANIZATION is one of the largest international financial services organizations, providing a full range of professional services in accounting and auditing matters, tax compliance and planning, and management information consulting, through 226 offices, including five in principal cities in Germany.

Since its founding in 1913, Arthur Andersen's guiding principle has been the assurance that all partners have a similar interest in servicing the firm's clients everywhere in the world. In keeping with this tradition, in 1978, the firm created a Societe Cooperative, domiciled in Geneva, Switzerland, to coordinate worldwide services. This Societe Cooperative, which is controlled by all partners in the national practice entities throughout the world, facilitates consistently high quality client services in terms of professional practices and standards.

Accounting and Auditing—Arthur Andersen has always taken a business approach to its audit assignments and accounting services. All professional personnel are first trained to develop an understanding of the client's business and operating objectives. Recommendations regarding management systems are developed within this framework. Using this business approach, the organization renders specialized assistance in the accounting and financial aspects of seeking and evaluating potential acquisitions, locating plants and other facilities, and other contractual relationships.

Tax Services—Arthur Andersen's tax practice is supported by the world's largest nongovernmental body of full time tax professionals. Tax personnel in each office are totally familiar with local tax matters as well as important concepts of international tax planning and the intricacies of international tax treaties. Through sharing of experience, communications networks and worldwide research capabilities, the organization offers fully integrated tax advice on such matters as organization structure, cross-border trading, transnational acquisitions, mergers and other undertakings. Similarly, the tax practice is well positioned to assist expatriates in their individual tax planning and compliance.

Management Information Consulting—For more than 35 years Arthur Andersen has helped clients meet their business information needs. The Management Information Consulting Practice has grown into the largest international consulting organization of its kind, with over 10,000 professionals in 49 countries. Consulting professionals plan, design, and install information systems and conduct analytical studies to provide the information executives need to effectively plan, evaluate and control their financial, marketing, information processing and other operations. □

Audi

AUDI OF AMERICA, INC. imports and markets advance-design vehicles manufactured by Audi AG of Ingolstadt, West Germany. Audi of America is located in Troy, Michigan, with four regional offices serving multi-state areas. In addition, independent distributors are located near New York City and St. Louis, Missouri.

Audi of America, Inc. began formal operations on September 1, 1985, and includes what had been Volkswagen of America's Audi Division. The functional areas with Audi of America include sales, service, advertising, merchandising, public relations and motorsports.

Audi entered the U.S. market in 1969 and in the first full model year of 1970, Audi sold just under 7,700 cars through 138 dealers. Today, some 398 dealers market Audi products throughout the United States.

Audi AG, the manufacturer of Audi automobiles, is headquartered in Ingolstadt, West Germany in the state of Bavaria, just north of the city of Munich. The other principal factory is located in Neckarsulm, not far from Stuttgart. Among the world's automobile manufacturers, Audi is known for its product innovation, particularly in aerodynamic design and the advancement of all-wheel drive vehicles. Audi AG is headed by Dr. Ferdinand Piech, chairman of the Board of Management.

Audi AG traces its history back to the early portion of this century when in 1909 August Horch left the automobile company he founded under his own name and began a new firm called *Audi*—the Latin translation of Horch's name.

The first Audi vehicle designed by Horch was a sports car—it won its first race in Sweden, just three months after introduction.

Since that time, Audi has continued to demonstrate its superior performance in the motor sports arena.

In 1986, Audi of America clinched the U.S. Sports Car Club of America PRO-Rally Manufacturer's Championship. The Audi Sport Quattro S-1 triumphed in its class four years running, from 1984-1987, in Colorado's famed Pikes Peak Hill Climb, achieving record speeds and Overall Championships in 1986 and 1987.

In the current 1988 SCCA Trans-Am racing circuit, Audi is dominating the competition with a production-based Audi 200 Quattro. Audi leads at the mid-point of the schedule in both Manufacturer and Driver point standings.

Audi is at the forefront in automotive innovation, being a technological leader in all-wheel drive with Audi's unique Quattro system, in aerodynamic styling, and in the use of anti-lock braking systems.

SALES HISTORY:

	SALES	OPERATING DEALERS
1970	7,691	138
1971	20,604	200
1972	28,631	255
1973	46,136	288
1974	50,446	386
1975	50,680	424
1976	33,316	425
1977	35,849	432
1978	40,882	436
1979	42,709	439
1980	42,483	433
1981	50,817	430
1982	45,954	421
1983	47,934	413
1984	71,206	408
1985	74,061	408
1986	59,797	412
1987	41,322	409 □

BASF

BASF CORPORATION is one of the ten largest chemical companies in North America. With $4.3 billion in sales, it accounts for about 20% of the BASF Group's worldwide business.

BASF has been serving the North American market for more than a century. Initially, the company built its business on imports from Germany. Today, 90 percent of its sales on this continent consist of products "Made in North America".

The company began to transfer its technology in the mid-50's. As a first major step, it joined the Dow Chemical Company in the manufacture of fiber intermediates. Ultimately, the joint venture expanded into man-made fibers.

In 1969, the chemical production base in North America was broadened with the acquisition of Wyandotte Chemicals Corporation. This was followed by the purchase of Dow's share of Dow Badische, Chemetron (pigments), GAF's dyestuff operations in Rensselaer, New York, and Fritzsche Dodge & Olcott. Concurrently, BASF capitalized on its know-how in building numerous plants in the United States.

In 1985, the company reinforced its position on the leading edge of chemical technology with the purchase of Celanese's advanced composite materials business. In addition, it strengthened its presence in coatings and printing inks with the acquisition of Inmont. With the purchase of American Enka, BASF became a major fiber manufacturer in North America.

A subsequent reorganization in 1986 put 12 of the variously-named BASF companies in North America, employing altogether 20,000 people, under the BASF Corporation umbrella. The company consists of the Chemicals, Fibers and Coatings & Inks Divi-

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sions, Information Systems (audio/video tape and computer media), Engineering Plastics and Engineered Components. Affiliates include BASF Structural Materials, Inc., BASF K+F Corporation (Knoll: pharmaceuticals, and Fritzsche Dodge and Olcott: flavors and fragrances) and BASF Canada Inc.

The BASF Group also conducts oil and gas exploration and production in the United States and Canada through its Wintershall organization. □

BDO SEIDMAN

BDO is a leading international accounting organization offering clients professional auditing, taxation, and financial and management advisory services, nationally and abroad.

BDO is the oldest European-based international accounting firm. It has more than 400 offices in 58 countries, and 15,500 partners and staff. BDO was founded as a European partnership which was organized, and has grown, in response to the harmonization of trade regulations directed by the EEC.

Our German partner firm, Deutsche Warentreuhand-Aktiengesellschaft (DWT), is among the largest firms in Germany, with offices in Berlin, Cologne, Duesseldorf, Frankfurt/Main, Freiburg, Hamburg, Hannover, Kiel, Luebeck, Munich, Stuttgart and Wiesbaden.

In the United States, German clients are served by BDO SEIDMAN, a 79-year-old firm with offices in over 49 U.S. cities. At BDO Seidman, work for German clients is handled by resident Wirtschaftpruefer and Steuerberater in cities around the country. BDO is presently serving a substantial number of U.S. subsidiaries of German parent companies. Bilingual professionals are fully informed about complex and changing American accounting and tax regulations, and thoroughly familiar with German auditing, accounting and reporting requirements. They have expertise in all major industrial and financial fields.

Along with expertise on the technical aspects of finance and taxation, we understand the environmental, economic, marketing and cultural differences between the U.S. and Germany. This knowledge enables us to assist our German clients with mergers, acquisitions and start-ups in the U.S.

BDO Seidman has a special international services group headed by Paul E. Neubelt, partner, headquartered in New York. He is a U.S. Certified Public Accountant, who worked and lived abroad for 13 years. Two German Wirtschaftspruefer work with him: Gunther Strothe in New York, and Peter Thiessen in Chicago.

The key to our service is the quality of our professionals, who combine international scope and experience with a thorough knowledge of local accounting and business. Close working relationships between our U.S. and German partners guarantees prompt, attentive, personalized service on both sides of the Atlantic. Our partners are highly regarded in the business community. They can provide the invaluable link to business, financial and legal contacts in the U.S. They have successfully helped many multinational corporations establish new enterprises in the U.S. and provide start-up, international tax structuring, advice and compliance with new consolidation requirements in Germany and Europe. They also assist German companies seeking to have their shares listed on one of the U.S. stock exchanges using American Depository Receipts.

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BfG:Bank

Established in 1958 with head offices in Frankfurt, BfG operates as a commercial bank, offering its customers a complete range of "universal" banking services. With consolidated assets of DM 59.3 billion at the end of 1987, the BfG group ranks among the largest private German banks. It has a staff of 8,960 and maintains a network of about 250 offices throughout the Federal Republic of Germany and West Berlin.

In recent years, BfG has also expanded its international banking activities, supported by its subsidiary BfG:Luxembourg, branches in Hong Kong, London, New York and Cayman Islands as well as associated banks in Amsterdam and Basel. A representative office is also maintained in Saô Paulo.

At the beginning of 1987 Aachener und Muenchener Beteiligungs-Aktiengesellschaft (AMB) acquired 50 percent plus one share of the BfG's share capital. The bank has thus gained a new partner able to offer a large number of interesting possibilities for cooperation. In the years ahead, we intend to fully utilize this potential for the benefit of both companies. The rest of the shares are owned by Beteiligungsgesellschaft fuer Gemeinwirtschaft AG (BGAG). □

BHF-BANK

While the story of BHF-BANK dates back to the middle of the last century, its present status results from a merger between Berliner Handels-Gesellschaft and Frankfurter Bank in 1970. As a limited company the Bank is owned by approximately 20,000 shareholders and is directed by its personally liable managing partners. It is a merchant and commercial bank and issuing house, is involved in portfolio management and securities business, and has been active in international finance for more than a hundred years. The Bank with total assets of more than 30 billion DM, thus combines the advantages of a company that has access to the capital market, with all the flexibility of a private bank.

Headquartered in Frankfurt, Germany's financial center, BHF-Bank serves a broad and diversified clientele: industrial companies, multinational corporations, government agencies, public entities, international organizations, and institution investors as well as private customers.

Through its foreign branches and subsidiaries in New York and Grand Cayman, as well as in London, Luxembourg, Singapore, Tokyo and Zurich and its representative offices in New York, Los Angeles and in further major financial centers, BHF-BANK is well positioned to provide its clients with individually packaged financing wherever the need arises.

International M & A business is carried out by the expert staff of Frankfurt Consult GmbH and their counterparts in New York, London and Tokyo. □

When BMW OF NORTH AMERICA, INC. was established in the United States in March, 1975, the company faced the challenge of building a reputation in the U.S. for a very special type of automobile. The product was little known in this country except within a very select group of knowledgeable car enthusiasts who appreciated and understood the engineering refinements found in a BMW. Recognizing that it had to increase its penetration in the American market if it was to prosper here, BMW of North America's mission was clear: capture the attention of the larger group of consumers who the company was confident would appreciate the way BMW blended German tradition and technical innovation into an active, comfortable and safe driving experience.

The sales record of BMW in the United States shows that the goal was accomplished in dramatic fashion. Automobile sales have increased nearly six-fold; from 15,007 in 1974 to 87,800 last year. Sales are expected to approach 80,000 units in 1988.

While this sales level may not be statistically significant in the multi-million unit U.S. automotive market, BMW's product philosophy and growth rate have enabled it to capture what one automotive journalist characterized as a share of mind that is totally out of proportion with its share of market.

During a period of recession, gas crises, currency shifts and a restructuring of the automotive industry, BMW emerged as a leader in the most dynamic part of the American market, the luxury/performance segment.

BMW of North America's marketing strategy since 1975 has focused on elements which are most important to consumers in this market. In February, 1987, the company introduced eight new models to the American market, including a completely redesigned flagship model, the 735i. With the introduction of the 12-cylinder 750iL and the 325iX four-wheel drive car, the BMW line-up consists of 13 distinct models strategically positioned in all segments of the over-$20,000 luxury/performance market.

BMW has systematically expanded the capacity of its dealer organization in the United States over the past 12 years by placing emphasis on development rather than sheer growth. By committing more cars to each dealership, BMW can work with each dealer on an investment program to create the personnel, work space and inventory capacities necessary to ensure customer service.

BMW automobiles range in price from under $25,000 for the 325i sports sedan to $70,000 for the 750iL. The company also imports 8 models of motorcycles, ranging in price from $5,695 to $10,675.

In the United States, BMW of North America is in the middle of a 5-year $100 million facility investment program that includes four regional office facilities with expanded technical training capacities, parts distribution centers in Mt. Olive, New Jersey and Ontario, California and a new headquarters complex in northern New Jersey. In addition, BMW has opened new vehicle preparation centers in the Port of Houston, Brunswick, Georgia and Oxnard, California. A similar port facility is currently under construction in Jersey City, New Jersey.

BMW of North America has just opened a new headquarters complex in Woodcliff Lake, New Jersey, approximately 30 miles from downtown New York City. Regional offices are located in the Atlanta, Chicago, Dallas, Los Angeles, San Francisco, Washington, D.C. and New York metropolitan areas. BMW also operates Parts Distribution Centers in California, New Jersey and Texas.

Gunter Kramer is the chairman and president of MBW of North America, Inc. □

STEUERBERATUNG UND WIRTSCHAFTSPRÜFUNG IST UNSER GESCHÄFT

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BAVARIA—Fertile soil for high-performance companies expanding to Europe.

The Federal Republic of Germany is made up of eleven states, the largest of which is the Free State of Bavaria. With more than 27,000 square miles, Bavaria makes up the major southeast portion of West Germany. Its population of about 11 million puts Bavaria a million ahead of Belgium, and three million more than Ireland.

Everyone knows Bavaria as a favored vacation destination and there's no denying our reputation for fine beer, food and culture. But Bavaria has many other reasons to be proud, and chief among them are our achievements in industry, especially in the areas of electronics, aerospace, technical ceramics and other high technology pursuits as well as motor vehicles.

There is a rich scientific tradition in Bavaria, embracing such giants as Max Planck, Conrad Wilhelm Roentgen, Rudolf Diesel, and Carl von Linde. This long-running acquaintance with technological inquiry is fostered today by a network of ten universities, ten technical colleges, a great number of vocational schools and the Max Planck-Gesellschaft whose general administration is headquartered in Bavaria and which has 13 institutes and independent research groups in the state.

International companies, big and small, recognize and appreciate the stable workforce in Bavaria. The product of an educational system committed to scientific training and preparation, the Bavarian worker outperforms and out-produces in many respects his or her northern German counterpart. Bavaria has consistently been among the leaders of all German states in employment and industrial growth. The incidence of strikes is very low.

The electrical and electronics industry with 245,000 employees, ranks first in Bavaria, even ahead of the machine-building and motor vehicle construction sectors.

Every fourth job in the electrical industry in Germany is in Bavaria; and in direct proportion to this, Bavaria's share of total exports in the field of electrotechnical products in the Federal Republic is 23%. Its share of the output in the electrotechnical industry in the Federal Republic amounts to nearly 30%.

The motor that keeps this dynamic process in motion is the micro-electronics sector which cuts across all sectors of industrial production and administration. Nearly all large semiconductor manufacturers have either their European headquarters, production facilities or important distribution center in Bavaria. The same is true for semiconductor manufacturing plants. The largest supplier in the world of high-purity silicon is also headquartered in Bavaria. Important Bavarian industrial companies in the fields of telecommunications, engineering, data processing and entertainment electronics, as well as in the automotive industry, are the main focus of interest in semiconductors.

The fact that component manufacturers, heavy buyers of industrial products, software suppliers, other service companies and research facilities are concentrated in one area—as is the case in Bavaria—is essential for the application of micro-electronics. This is a prerequisite for creating a *critical mass*, which can only be achieved when the development processing and manufacturing know-how of micro-electronics can develop a self-perpetuating dynamic system. In Bavaria, the variety and diversity of supply and demand in the field of electronics are extensive. Not only large firms, but also medium and small-sized companies have the opportunity to participate in the dynamic development of the electronics-oriented Bavarian economy. □

Bayer USA INC.

BAYER USA INC., the U.S. management holding company of Bayer AG, is a diversified group of companies with businesses in chemicals, health care and imaging systems. The Bayer Group has a long history of technological innovation ranging from the development of sulfa drugs and polyurethane chemistry, to some of the most exciting chemical and pharmaceutical research taking place today. In 1988, Bayer USA subsidiaries and affiliates included Mobay Corporation; Miles Inc.; Agfa-Gevaert, Inc.; Compugraphic Corporation; Matrix Corporation; Deerfield Urethane, Inc.; Haarmann & Reimer Corporation; Hermann C. Starck, Inc.; NRC Inc.; and Wyrough and Loser, Inc. Together these companies had sales of $4.2 billion and employ about 24,000 people.

Mobay Corporation, *Pittsburgh, PA, manufactures polyurethane raw materials and polymers, engineering thermoplastics, agricultural chemicals, animal health products, urethane coating resins, dyestuffs, organic pigments, organic, inorganic and rubber chemicals. Mobay's 1987 sales were $1.8 billion. It employs approximately 6,400.*

Miles Inc., *Elkhart, IN, researches, develops, manufactures and markets prescription pharmaceuticals, medical diagnostic test systems and over-the-counter consumer health care products as well as acidulants, enzymes, dairy ingredients and consumer household products. Miles had sales of $1.5 billion in 1987 and employs about 11,500 worldwide.*

Agfa-Gevaert, Inc., *Ridgefield Park, NJ, manufactures and markets products for the graphic and reprographic industry; medical and industrial X-ray products, audio and videotapes; films, chemistries and laboratory equipment for consumer and professional markets; and motion picture films. 1987 sales for Agfa-Gevaert were $467 million, and employees numbered approximately 1,400. In the U.S., Agfa-Gevaert has two subsidiaries:*

Compugraphic Corporation, *Wilmington, MA, is the world's largest supplier of electronic systems for publishing and composition; provides complete solutions for a broad range of commerical printing, corporate publishing, presentation graphics, typographic, advertising, magazine and newspaper applications. Sales in 1987 totaled $367 million, and about 4,000 are employed at Compugraphic.*

Matrix Corporation, *Orangeburg, NY, is a producer of electronic systems for medical diagnostic imaging, computer graphics image recording, industrial measurement and imaging, and high performance professional communication systems. Matrix has 1,200 employees and, in fiscal year 1987, reported sales of more than $100 million.*

The Agfa-Gevaert group in the U.S. merged at the end of 1988 to form Agfa Corporation, Ridgefield Park, NJ. Both Compugraphic and Matrix maintain their operations and names as business divisions of Agfa.

Deerfield Urethane, Inc., *South Deerfield, MA, manufactures polyurethane films for coated fabrics, medical products, belting and other applications.*

Haarmann & Reimer Corporation, *Springfield, NJ, manufactures and distributes flavors, fragrances and aroma chemicals for foods, beverages, pharmaceuticals, tobacco, personal care and household products.*

A CLI-MATE OF QUALITY.

In Fort Worth, Texas, there is a company that represents the resources of Europe's largest independent manufacturer of automotive climate control and engine cooling equipment.

The company is Behr of America, a subsidiary of the internationally known Behr Group.

Behind our German heritage is a climate of quality which confirms our commitment to customer satisfaction.

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Behr of America Inc.
5020 Augusta Dr.
Fort Worth, Texas 76106
(817) 624-7273 Telex: 758434

***Hermann C. Starck, Inc.**, New York, NY, is the U.S. marketing company of its West German parent, Hermann C. Starck Berlin—the world's largest producer of the refractory metals tungsten, molybdenum, tantalum, columbium, rhonium and their compounds as well as many advanced ceramic materials such as silicon nitride and aluminum nitride.*

***NRC Inc.**, Newton, MA, manufactures capacitor-grade tantalum powder, tantalum and niobium mill products and fabricated parts, tantalum and niobium oxides.*

***Wyrough and Loser, Inc.**, Trenton, NJ, is a compounder and formulator of processing aids and dispersion chemicals for the rubber processing industry. Affiliated with Rhein Chemie GmbH and distributor of their rubber and plastic products.* □

HYPOBANK
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

In 1835, HYPO-BANK was established in Munich by royal decree of King Ludwig I of Bavaria. HYPO-BANK is Germany's oldest publicly-quoted bank and one of the largest with consolidated assets of more than DM 113 billion.

HYPO-BANK is engaged in both commercial and mortgage banking, operates the largest branch network in southern Germany and is also active nationwide in key business centers such as Berlin, Duesseldorf, Frankfurt, Hamburg, Hanover, and Stuttgart. The bank is a prime address for correspondent banking.

Its New York Branch offers a complete range of corporate banking services including prime and Libor-based loans, foreign exchange, money transfers, letters of credit and documentary collections as well as international private banking. Through other branches in Cayman Islands, Hong Kong, and London, its wholly-owned subsidiary in Luxembourg, representative offices in Brazil, Italy, South Africa, and Spain, and its partnership in ABECOR, HYPO-BANK offers financial services around the globe. Through its affiliation with ABD Securities, New York, its customers have direct access to the U.S. securities markets, brokerage and investment management.

For more information and a copy of our annual report, please contact the Banking Department, Wall Street Plaza, New York, N.Y. 10005, Tel.: (212) 248-0650 or the International Department, A/KAG-MIA, Theatinerstrasse 11, D-8000 Munich 2, Tel.: (089) 2366-8323, Telex: 52865-0 □

Bayerische Landesbank
Girozentrale

BAYERISCHE LANDESBANK's origins date back to the late nineteenth century, and the Bank has grown into one of the leading banking institutions in the Fed. Rep. of Germany. Headquartered in Munich, Bayerische Landesbank operates branch offices in New York, London, Singapore and a subsidiary in Luxembourg, as well as Representative Offices in Vienna, Toronto and Johannesburg. In addition, a Grand Cayman Branch as well as an International Banking Facility (IBF)—operating out of New York—supply offshore banking services.

Bayerische Landesbank, a public sector institution, is 50% owned by the State of Bavaria and 50% by the Bavarian Savings Bank's Association. The Association is owned by the savings banks, which in turn are owned by their municipalities. By statute, Bayerische Landesbank's obligations are jointly and severally guaranteed by its owners.

Bayerische Landesbank's consolidated total

assets now exceed DM 131 billion. The Bank has been accorded the highest short and long-term ratings from both major U.S. agencies (Moody's P-1, Aaa; Standard & Poor's A-1+, AAA).

The Bank offers a wide range of financial services on a global basis. In Germany, it is one of the largest issuers of securities as well as a major corporate lender. Its primary strengths include a substantial DM deposit base and long-term, fixed rate DM loan capabilities.

Since establishing its Representative Office in New York in October 1979, and gaining full branch status two years later, in October 1981, Bayerische Landesbank has become a major wholesale lending participant throughout the country.

The New York Branch offers a full range of domestic and international financial services, including loans, foreign exchange and money market expertise, as well as documentary and collection capabilities.

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Cable: BAYERNBANK NEWYORK
Head Office: Brienner Strasse 20
D-8000 Munich 2, F.R. of Germany
Phone (89)2171-01 □

ary, Bayerische Vereinsbank International S.A., Luxembourg, is active in the Euromarket with a business volume of some DM 7.9 billion and a considerable improved income status.

International business is conducted by about 50 domestic branches and from about 20 locations strategically placed around the world. Bayerische Vereinsbank has also strengthened its market position in international financing and securities business, for instance by establishing BV Capital Markets (Asia) Ltd., its new international investment banking subsidiary in Tokyo.

North America was a major focus of Bayerische Vereinsbank's international activities in the last few years. The bank's network in North America is one of the largest of all German banks, with branches in New York, Los Angeles and Chicago and offices in Atlanta and Cleveland, plus an IBF in New York as well as a Eurobase in the Cayman Islands. Furthermore, BV Capital Markets in New York manages the investment banking business in North America.

With over 400 branches and staff of nearly 12,500 employees, Bayerische Vereinsbank offers comprehensive domestic and international services tailored to the individual needs of its clients. The Bank has about 93,000 shareholders. □

By 1948, with the aid of a small staff, Becker produced a limited number of automobile radios. The following year, the first Becker Autoradio was installed in a Mercedes-Benz. Since that time, Becker has remained the radio of choice for Mercedes-Benz.

In the next decade, the company grew in size and its radios continually outperformed other radios in numerous competitions. In 1953, Becker introduced the company's first AM-FM car radio with a signal-seeking circuit. This proved to be a breakthrough which permitted single control, automatic selection of stations on both AM and FM bands and greatly simplified operation.

In 1956, the company entered the sophisticated avionics field and its first product, the communication set "AR 24", was an instant technical and commercial success.

By 1960, with the number of Becker radios on American roads growing so rapidly, the company decided to set up a United States facility in Pasadena, California.

In 1982, the company moved to its present quarters in Upper Saddle River, New Jersey, allowing Becker of North America, Inc. to provide increased service and to maintain a large inventory of radios and parts to keep pace with the increasing demand on this continent. □

BAYERISCHE VEREINSBANK
AKTIENGESELLSCHAFT

BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT was incorporated in Munich in 1869 as a commercial and morgage bank. In 1971, it merged with Bayerische Staatsbank, which was founded in 1780. Today Bayerische Vereinsbank ranks fourth among the private-sector banks in Germany. Together with its mortgage subsidiaries, Bayerische Vereinsbank is the largest private-sector, long-term banking group in Germany. As of December 31, 1987, the Bank's balance sheet total stood at DM 87.6 billion, consolidated total assets at about DM 150 billion. Our ratings are as follows: P 1 (Aaa for long term rating) with Moody's and A-1+ with Standard & Poor's.

As one of the few banks specializing in both the commercial and mortgage fields, BV offers particularly diversified services. Bayerische Vereinsbank holds interests in several well-known private banks in West Germany. The Bank's wholly-owned subsidi-

BECKER
AUTORADIO

Becker Autoradio is known worldwide for its quality radios, which are factory-installed in the leading makes of German automobiles and also sold through authorized dealers.

BECKER OF NORTH AMERICA, INC., operates the nationwide service network that maintains Becker automobile radios and also imports and distributes them to aftermarket retailers. Becker of North America, Inc., also imports, distributes and services Becker avionic equipment, including communications and navigation equipment as well as emergency transmitters and receivers.

Becker products are manufactured in several locations in West Germany. The company's worldwide headquarters, research and development offices and main manufacturing plant are located in Ittersbach, West Germany.

The company was founded in 1945 when Max Egon Becker, a radio enthusiast, opened a small radio sales, repair and audio research business in two rooms of a 300-year-old house in Pforzheim, West Germany.

BEHR
Behr of America, Inc.

JULIUS FR. BEHR GMBH & CO. KG, is the largest independent manufacturer of automotive climate control and engine cooling equpment in Europe. The Behr-Group is headquartered in the Federal Republic of Germany with annual sales exceeding DM 1.3 billion per year, and produces over six million radiators, air conditioners and heaters annually. Affiliated companies and subsidiaries of the Behr-Group are located in Germany, Brazil, France, India, Spain and the United States. The Behr-Group employs more than 8,000 people worldwide, and produces equipment that is installed by most European car and truck manufacturers.

BEHR OF AMERICA, INC. (BoA), founded in 1969, as a subsidiary of the parent company, is headquartered and operates a manufacturing facility in Fort Worth, Texas where air conditioning systems and components are produced for the passenger car, heavy duty truck, and agricultural and construction equipment industries.

Behr of America air conditioning systems and subassemblies are delivered to vehicle manufacturer assembly plants in North America and Europe. BoA will also provide for installation at port of entry, or vehicle preparation centers.

Behr of America's Engineering Department is capable of assuming full heater and air conditioning system responsibility as well as the capability to design specific components for the vehicle manufacturer. Behr of America personnel have broad application experience both in the United States and overseas markets and are fully supported by the research and development departments of the parent company in Germany.

The Behr of America manufacturing facility for all-aluminum heat exchangers applies the latest technology available today. Ultrasonic cleaning and fluxless brazing processes prevent corrosive residues thus assuring longer life of the entire system.

Current customers to Behr of America include Alfa Lancia, BMW, Freightliner, Komatsu/Dresser, Iveco, Mack Trucks and Volvo GM for original equipment applications and among others Mercedes Benz of North America, Mercedes-Benz Truck Company and BMW of North America for replacement parts. □

Bertelsmann

BERTELSMANN AG, founded in 1835 as a printing and publishing house in Germany, is now a leading global communications concern with activities in twenty-five countries. Its 200 operating units are managed autonomously under the company's philosophy of decentralization.

Bertelsmann's development into a major worldwide book and magazine publisher, book club operator, printer and record company has occurred since 1947, under the direction of Reinhard Mohn, now Chairman of the Supervisory Board, and more recently under that of Mark Woessner, President and CEO. The company consists of six independent divisions that employ about 42,000 persons. Of the more than $6 billion in worldwide revenues, about one third are generated in the United States by the following groups of Bertelsmann companies:

- **Bertelsmann Music Group**—headquartered in New York City, BMG consists of famous record labels such as RCA, Arista and Ariola. BMG operates in more than twenty countries.
- **Bantam Doubleday Dell Publishing Group**—comprised of three independent houses which taken together form the largest English language general book publisher in the world.
- **Doubleday Book & Music Clubs**—eight clubs in the United States include The Literary Guild and Doubleday Book Club. Worldwide, Bertelsmann book clubs serve more than 22 million members.
- **Bertelsmann Printing & Manufacturing Corp.**—BPMC is a leading full-service printer and book manufacturer. It has six facilities in Virginia, Pennsylvania and California.
- **Gruner + Jahr USA Publishing**—The American arm of the international publishing firm with such titles as *Stern*, *Capital*, *Prima* and *Eltern* is known in the U.S. for *Parents*, *Expecting* and *YM* magazines. Bertelsmann owns 74.9 percent of G + J.
- **Brown Printing Co.**—with eight plants located throughout the country, Brown is one of the nation's premier magazine and catalog printers. A unit of Gruner + Jahr, Brown prints editions of *Time*, *Sports Illustrated* and *Bussiness Week*, among other magazines.
- **Doubleday Book Shops, Inc.**—the thirty Doubleday book stores from coast to coast are noted for the variety and depth of their book inventories, their knowledgeable sales personnel and efficient service.

BECKER
AUTORADIO

Found on all roads of the world. Factory installed in many of the most prestigious cars of Europe. Renowned for functional styling and outstanding performance. Becker Autoradio, your companion in safe driving.

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The United States units are provided with corporate support by Bertelsmann, Inc., which maintains relationships with banking and lending institutions in this country. Its staff oversees tax and legal activities in the U.S. and other countries.

To receive a booklet describing the American operations, please contact Bertelsmann, Inc., 666 Fifth Ave., New York, NY 10103, 212/245-5770, or Bertelsmann Corporate Communications-News Bureau, 211 East 43rd St., New York, NY 10017, 212/687-1765. □

Biesterfeld

BIESTERFELD—Partnership with an international outlook

Biesterfeld must keep all their employees up to date in all matters connected with basic chemical materials and the company's own products. Biesterfeld employees must be multilingual to achieve international communication.

It is justified to describe the Biesterfeld group, with its approximately 1.150 employees as highly flexible.

Salt stood at the beginning of all things

It was in 1906 when Wilhelm Biesterfeld, the founder of the company, started selling salt wholesale and launched a salt exporting business.

Today forty-three German and six non-German independent companies are combined under the roof of Wilhelm E.H. Biesterfeld. Their 1988 total turnover was about DM 875 million. Twenty-five percent (25%) of the sales of the Biesterfeld group are accounted for by the import of industrial chemicals, plastics and metal alloys as well as other basic materials.

For a number of well-known European and American chemical producers, the group has sole distribution rights for the territory of the Federal Republic of Germany.

Goods are exported to more than 100 countries; two-thirds of these are overseas countries.

Local distribution of chemical products, serving rapid, smooth and expert continual supply of chemicals to the trade, represents about 30% of the total business volume of the group. About 40% of sales is accounted for by the divisions for fertilizers, crop protection products, agricultural and horticultural requirements, weed-killers, salt; road service, protection of workers, products required for construction sites; household papers and foils, transportation companies.

A look to the future

A high measure of creative free enterprise and the courageous spirit of the true entrepreneur are among the pillars on which the free and social market economy of the FRG rests.

Biesterfeld has passed the crucial test. The group and its qualified members enjoy a very good reputation among experts, customers and suppliers at home and abroad.

To retain this good will and to document it again and again, that is the aim of the Biesterfeld group of companies.

Progress can be turned into reality. Therefore Biesterfeld remains the international partner with an international outlook. □

Boehringer Ingelheim

BOEHRINGER INGELHEIM CORPORATION, Ridgefield, Connecticut, is a health care company and the principal licensee of Boehringer Ingelheim International GmbH. A wholly-owned subsidiary of Pharma-Investment, Ltd., Toronto, Canada, Boehringer Ingelheim Corporation is a major chemical and pharmaceutical company which develops, produces, and sells a wide range of pharmaceutical specialties, veterinary medicines and biologicals, agricultural chemical products, and fine and specialty chemicals throughout the world.

Boehringer Ingelheim Corporation is the parent and sole stockholder of a number of companies, the largest of which is Boehringer Ingelheim Pharmaceuticals, Inc., Ridgefield and Danbury, Connecticut, an ethical pharmaceutical and consumer products developer and manufacturer. Its other companies include Roxane Laboratories, Inc., Columbus, Ohio, a pharmaceutical unit dose manufacturer; Boehringer Ingelheim Animal Health, Inc., St. Joseph, Missouri, a developer and manufacturer of veterinary medicines and biologicals; and a group of chemical companies, including Henley Chemicals, Inc., Montvale, New Jersey, fine and specialty chemical distributors; Infracorp Ltd., Petersburg, Virginia, a chemical engineering and service group operated in conjunction with Lee Laboratories, Petersburg, a joint venture with A.H. Robins, producing pharmaceutical chemicals.

The Boehringer Ingelheim Corporation has a strong commitment to the development, manufacture, and sale of significant new products for both human and animal health care. □

Bopp & Reuther

With its staff of about 2,000 persons and a turnover of DM 400,000,000, the BOPP & REUTHER GROUP ranks with the most important companies engaged in valve construction, industrial measurement, and safety engineering. Apart from the parent company in Mannheim and five domestic agencies, more than 20 subsidiary and holding companies market the product line of our company worldwide in more than 60 countries.

Our range of products covers high-precision measuring systems, such as differential pressure meters, vortex meters, magnetic-inductive flowmeters, oval wheel meters, etc; i.e. products designed for measuring gas, steam and all kinds of liquids in industrial measurement engineering.

In addition to mechanical engineering and precision mechanics, it is electronics that is more and more gaining in importance. In the energy industries, the process industries, the municipal and industrial water industries as well as in the manufacture of machinery and apparatus, Bopp & Reuther systems provide solutions to measurement, control and safety problems. For many years Bopp & Reuther has been supplying the North American market via its subsidiaries Waugh Controls Corp., Chatsworth, CA and Metric Corp., Tulsa, OK.

On the whole, our range of products covers:

1. In-line blending systems,
2. Computers for flow, measurement and control engineering,
3. Turbine meters,
4. High-precision meters for dynamics and industrial measuring systems,
5. Stationary and mobile test equipment for liquid meters. □

BOYDEN

BOYDEN INTERNATIONAL is a leading executive search firm with a worldwide network of 45 offices in 27 countries. On a day-to-day basis Boyden is involved in complex searches reaching across cultural, geographic and industry boundaries within Europe, the United States/Western Hemisphere and Asia and the Pacific.

In over four decades, Boyden has worked for more than half of the Fortune 500—including 43 of the top 50. The firm's reputation for excellence in executive search has been built through its handling of complex

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senior level assignments in such areas as financial services, electronics, industrial products, consumer products, heathcare, food and beverages, retailing/apparel, communications and entertainment, chemicals, energy, transportation, real estate and construction, and the public and not-for-profits sectors.

Supported by Boyden's global research network, our professionals are directly involved in each assignment, overseeing every stage of a search personally.

We believe our experience and ability to coordinate searches in cities across the world enables Boyden to provide clients with executive recruiting services second to none. □

For over 57 years BRAUNER INTERNATIONAL CORPORATION has served the freight forwarding and customs brokerage needs of importers and exporters throughout the world. Founded in 1931 by Curt August Braeuner, who began his forwarding career in Hamburg, Brauner International Corporation has offices at One World Trade Center, New York as well as at J.F.K. International Airport.

Over the years, as the pace of importing and exporting has increased through the use of Computers, EDI and Facsimile Transmissions, Brauner International has kept abreast of each new development. Brauner International Corp. was the first to pioneer a through container service to Switzerland. It was first to run a regularly scheduled furniture container from Norway to the United States. The first *LASH* barge shipped door to door from Duisburg, Germany to East Chicago, Indiana was forwarded by Brauner International Corporation. Brauner International communicates directly with the U.S. Customs computer and is one of the developers of the New York Port Authority computer system. Through its correspondents in Germany, Brauner International offers instant communications and world wide forwarding services.

Through these advanced office procedures Brauner International Corporation has created systems which keep the paperwork in step with faster methods of transportation and distribution, whether it be roller bed delivered airfreight or door to door sea container distribution. □

THE Budd COMPANY

THE BUDD COMPANY is recognized internationally as a leading supplier to the automotive industry. As a subsidiary of Thyssen AG, of Duisburg, West Germany, Budd is backed by the technical resources of an international partner in the automotive industry with expertise in materials, components and systems. This year marks the 10th anniversary of the Budd-Thyssen relationship.

Budd's range of automotive products includes steel stampings and assemblies, full frames and chassis frame components, heavy duty truck wheels, hubs, drums and attaching parts, SMC plastic autobody panels, prototypes, aftermarket equipment, cold weather starting aids and water skis.

Budd offers the unique capability to supply its customers with automotive components from a full range of materials, such as steel, plastic, aluminum, and gray iron castings. The company is guided by Chairman James H. McNeal, Jr., Vice Chairman Siegfried Buschmann and President David P. Williams.

Budd's Stamping and Frame Division is a full service supplier of major automobile and truck body and chassis components. Final products include doors, quarter panels, hoods, floorpans, space frames, trailing axles and full body frames. The Wheel & Break Division produces a wide range of steel disc wheels for commercial vehicles, demountable rims, as well as hub and drum assemblies for heavy duty vehicles, and disc brake components for trucks. Budd's Plastics Division is a leading supplier of fiberglass-reinforced polyester compounds and molded products.

Milford Fabricating Company, a Budd subsidiary in Detroit offers complete facilities for "Black Box" automotive programs from concept to a driveable vehicle utilizing the most advanced technology available. Waupaca Foundry, Inc., a subsidiary in Waupaca, WI, produces process controlled gray iron, compacted graphite iron and ductile iron castings for automotive and other markets.

In addition, Temro Division of Budd Canada Inc. in Winnipeg, Manitoba, Canada, and Phillips Temro, Inc., of Eden Prairie, MN, make cold weather products, such as engine heaters, interior car warmers, battery warmers, and frost shields for cars and trucks.

Budd is in the process of building a new $100 million automotive stamping plant in Shelbyville, KY, as well as a new $24 million plastics molding facility in Kendallville, IN. The company, headquartered in Troy, MI, currently employs more than 11,000 worldwide.

If you would like more information about Budd, please write or call:

The Budd Company
Public Affairs Department
3155 West Big Beaver Road
Troy, MI 48084
Telephone: (313) 643-3500 □

CARRE, ORBAN & PARTNERS

CARRÉ, ORBAN & PARTNERS INTERNATIONAL is a firm of management consultants with offices in Amsterdam, Barcelona, Brussels, Duesseldorf, Geneva, London, Madrid, Milan, New York, Paris, Rome and Zurich. The firm's clients are industrial, financial and service businesses as well as governmental and international organizations.

The prime objectives of Carré, Orban & Partners International are to bring professional, pragmatic and long lasting solutions to their clients' executive resource management problems and to assist clients in capitalizing on new business and technological opportunities.

Executive Search

This service assists clients in the selection of senior-level human resources. The firm works with clients to define the parameters of a given position in order systematically to search, evaluate, select, motivate and integrate the newly chosen executive into a client company. The firm also accepts assignments to identify and select outside board members.

Management Audits

This service guides clients in evaluating management structures and advises in times of strategy review during mergers, turnarounds or divestments. It includes analysis of management structure, evaluation of executive capabilities, and suggestions of ideal executive profiles.

Executive Resource Management

The firm provides expertise in assisting their clients' leaders in the management of their top 15 to 150 careers. This includes the design of recruiting, performance appraisal and compensation programs as well as resolving issues in industrial labor relations and restructuring corporate training and development programs.

Corporate Mergers and Acquisitions

The firm undertakes searches for acquisition or merger candidates, as well as searches for joint venture corporate partners. Such acquisition engagements assist clients in finding new businesses, new markets or new technological fields.

For more information, please contact: Volker T. Wiegmann, Carré, Orban & Partner GmbH, Koenigsallee 6-8, D-4000 Duesseldorf 1, West Germany, Telephone (0211) 87 73—0, Telex: 858-6726, Telefax: (0211) 87 73—100, or R. William Faville, Carré, Orban & Partners, Inc., 230 Park Avenue, Suite 1624, New York, N.Y. 10169, USA, Telephone (212) 953-7722, Telex: 148-458, Telefax (212) 953-7417. □

CHASE

THE CHASE MANHATTAN BANK serves individual, corporate, institutional and government clients around the world.

With 43,000 employees in 65 countries, Chase provides a comprehensive range of financial products and services.

Chase AG, headquartered in Frankfurt, can call upon a distinguished team of investment bankers experienced in mergers and acquisitions, leasing, swaps, private placements and syndications. Within Germany, Chase Manhattan has industry expertise in manufacturing, primary industries, energy, shipping, media and electronics, consumer goods and services and aerospace.

The service products sector of Chase brings under one management cash management products, trade finance and international advisory services, all deliverable through a global electronic network. □

CITICORP®

CITICORP's operations in Germany reflect the corporation's successful worldwide strategy. This strategy focuses on well-defined market segments: multinational corporations, institutional investors, government agencies and consumers. These market segments are the targets of Citibank AG, the KKB Bank AG and our credit card activities. Citibank opened its first office in Germany in 1928. In 1973, Citicorp bought a controlling interest in KKB Bank, a consumer bank. Diners Club Deutschland GmbH was acquired in 1984, and the Citicorp Kartenservice GmbH was established in early 1988.

Citibank AG concentrates on doing business with internationally active large-scale enterprises, institutional investors, public authorities and certain target groups in the private banking sector.

The KKB group offers banking and insurance services as well as home loans for private clients.

Diners Club and KKB VISA answer the travel and entertainment and credit card needs of our customers. Citicorp Card Services (CKS), introduced this year, provides a wide range of credit card services for business accounts.

Each one of these three groups—Citibank AG, KKB Bank and the card operations—operates independently. Each of them defines its markets and develops its own business plans within the guidelines of Citicorp's global objectives. One competitive advantage they all share is the ability to utilize Citicorp's extensive international network, with offices in the world's major financial markets, for the benefit of their customers.

Citicorp's plans in Germany call for a strong expansion of financial services and products. This is part of the corporation's

overall strategy in Europe, which is now such an important regional market.

We are optimistic about the future, and intend to take advantage of the new opportunities which are expected to flow from the creation of a single unified market by 1992. □

CITIZENS AND SOUTHERN NATIONAL BANK (C&S), headquartered in Atlanta, Georgia, is the flagship member of the regional banking system of the Citizens and Southern Corporation, a bank holding company with total assets of over $21 billion. The C&S family of banks has a network of over 450 branches throughout the states of Georgia, Florida, and South Carolina.

Founded in 1887 in Savannah, Georgia, the C&S Bank has grown and prospered by serving the financial needs of corporate customers on a regional and national basis with support offices in Los Angeles, Chicago and New York. Over the past 25 years the Bank's International Department has developed an extensive network of approximately 1000 international correspondent banks with whom we work closely to facilitate our customers' worldwide activities. The International Department also maintains representative offices in Rio de Janeiro, Bogota, Singapore and London.

Capitalizing on the Bank's international experience and the support of our international correspondents, our specialied International Corporate Banking group services the banking needs of the growing number of U.S. subsidiaries of foreign companies. These firms look to C&S for traditional banking services as well as specialized financial services such as Private Banking, Commercial Real Estate, Equipment Leasing, Factoring, Cash Management, Trust Services and Investments. C&S presently serves over 300 European and Canadian firms which have manufacturing, sales and distribution facilities throughout the southeastern United States, including over 100 German and Swiss companies. While we count among our customers some of Germany's largest corporations, an increasing number are smaller firms with minimal U.S. experience who welcome the guidance which we as a major regional bank can give them. □

COMMERZBANK

Founded in 1870, COMMERZBANK soon became a leading force in German banking. Today, it ranks third among the "Big Three" German branch banks, providing an extensive range of services for its almost 13 million customers at home and abroad. Its consolidated total assets as of June 30, 1988 topped DM 172 billion, with its capital and reserves amounting to more than DM 5.4 billion. As of that same date, the Commerzbank Group maintained a network of almost 900 branch offices at home and abroad, employing nearly 27,000 people.

Commerzbank is strongly engaged in all kinds of commercial, investment, and merchant banking, while also being active as a broker/dealer. Emphasis in commercial banking used to be on short and medium-term loans, but more recently long-term lending has increasingly become significant, too. The same applies to such financial services as, especially, assistance with mergers and acqui-

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Managing Directors: Richard W. Montague, Dr. Peter H. Osthues, Volker T. Wiegmann

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Managing Director: R. William Faville

sitions or with stock exchange introductions. Other areas enjoying a favorable development of late have been asset management and trust business. Although the bank has always considered wholesale banking as one of its particular strong points, retail banking has also experienced rapid growth over the past 30 years and now accounts for roughly half of the bank's business at home.

Commerzbank's domestic presence is reinforced by some 20 banking and financial associates, the most important of which are RHEINHYP-Rheinische Hypothekenbank, a leading German mortgage bank, and Berliner Commerzbank, the bank's West Berlin subsidiary.

Non-domestic activities today add up to approximately one-third of Commerzbank's total business, stretching from trade and corporate finance to syndication business and project finance, while also including foreign exchange and interest swaps, currency options and sophisticated cash management services.

The bank's international presence extends to about 70 foreign outlets and holdings in over 30 countries. Operative units, which concentrate on wholesale business, are maintained in all the major international financial centers, where thirteen branch offices and four wholly-owned subsidiaries are maintained. In addition, the bank runs 17 representative offices and has numerous holdings in foreign financial institutions.

Commerzbank has always maintained especially close relations with the U.S. In 1971, it transformed its New York representative office—which dated back to 1967—into an operative unit, thus becoming the first German bank to open a full-service branch in the country. It expanded its U.S. presence by establishing another branch office in Chicago in 1974, an agency in Atlanta in 1979 and a branch office in Los Angeles in 1985. Commerzbank's latest move in the U.S. was the restructuring effected through a spin-off operation in early 1988 of its New York-based joint-venture investment banking offshoot into a wholly-owned subsidiary, Commerzbank Capital Markets Corporation. □

CCMC

COMMERZBANK CAPITAL MARKETS CORPORATION (CCMC), founded on March 1, 1988, is a full-service investment bank headquartered in New York, serving major corporations, institutions, governments and private investors around the world. As a wholly-owned subsidiary of Commerzbank AG, one of the leading German "universal" banks, CCMC is continuing a twenty-year long tradition of U.S. investment banking activities started with several European partners. CCMC is member of both the New York Stock Exchange and the Securities Investor Protection Corporation.

CCMC offers a wide range of securities and currency trading services and makes markets in German and other foreign securities in the United States. In addition, CCMC participates in the Euromarkets and other regional and national financial centers worldwide. CCMC's membership on the New York Stock Exchange combined with Commerzbank's longstanding international relationships ensure fast and skillful execution of all orders placed by institutional and private clients. As a self-clearing firm, CCMC's trading capabilities are supported by an efficient and responsive back office and operations department, whose constant attention to the numerous operational details of securities settlements, transfers, deliveries, etc., is essential to assuring client satisfaction with brokerage services. Due to its intimate knowledge of the German and other foreign securities markets, CCMC provides unparalleled expertise and first-rate resources to U.S. institutions interested in the international financial markets.

Serving as a conduit for Commerzbank's worldwide investment research capabilities, CCMC develops sophisticated quantitative portfolio strategies to enable investors to take advantage of opportunities in the world capital markets. The firm's U.S. research is geared to the specific requirements of foreign investors wishing to diversify into U.S. dollar equity and bond investments. CCMC's research staff continuously reviews and evaluates the general economic and political situation in the United States, developments of various industry groups, and the prospects for particular companies. By quickly conveying the analysts' findings and up-to-the-minute market data to clients, the institutional sales group seeks to provide the necessary input for judicious investment decisions.

CCMC offers full-service private banking for affluent individuals worldwide, including a wide range of financial planning and portfolio management services carefully tailored to each client's specific investment objectives and risk tolerance. Using a strategy of global diversification, the emphasis is on capital preservation by careful market timing and selecting investment vehicles which provide sound value and potential for appreciation.

CCMC also provides specialized corporate finance advisory services and participates in underwriting U.S. and non-U.S. equity and debt issues and in raising capital through private placements.

Through the professionalism and dedication of its compact, highly specialized staff, CCMC seeks to build close client relationships based on trust and understanding, drawing on the global resources of the Commerzbank Group, which has been on the leading edge of international investment banking for many years. CCMC takes pride in living up to this tradition with a strong commitment to efficiency and excellent service. □

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Growing your business in a new country is not a simple task. An adaptation process is required so that your new American venture can succeed in its new environment. COOPERS & LYBRAND understands that this "cultural transplant" needs a great deal of tending and has designed a special program for both German investors and German companies with U.S. operations.

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Our special program for German companies is led by Bernhard Westermann, who is fluent in German and travels to Germany regularly. We have already helped many large and small German companies establish new operations and make acquisitions in the U.S.

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News for German companies with U.S. operations

Coopers & Lybrand has a special program to help German businesses thrive in America

Running a business in a foreign country is a difficult task. The problems that can threaten success are numerous. Coopers & Lybrand, with international public accounting and management consulting firms in 98 countries, can help you avoid these problems.

Special attention is required to assure the success of your U.S. operations. Coopers & Lybrand has a special program designed to provide you with high quality, innovative services, whether you're an entrepreneur or a public company; whether you're starting up a new business or making an acquisition.

Our professionals, who travel to Germany regularly, meet with parent company management to coordinate our services, discuss plans or resolve problems. We provide service in the areas of:

- Accounting and auditing
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DG BANK

DG BANK, a wholesale bank headquartered in Frankfurt am Main and operating an extensive international network, provides comprehensive commercial and investment banking services and acts as central bank for the cooperative banking system which forms an integral part of the financial community in the Federal Republic of Germany.

In the United States DG Bank has established a firm presence through branches in New York and Los Angeles, a representative office in Atlanta, Georgia, and the DG Securities Services Corporation, New York.

The Bank's New York Branch provides a wide range of commercial banking services for corporate, institutional, and private clients. Its trust business includes money management services to institutional and private customers, emphasizing investment advisory and custodial services and real estate advisory services. Offshore business is conducted through an International Banking Facility and a Cayman Islands Branch.

The DG Securities Services Corporation, a wholly-owned subsidiary of DG Bank, links American institutional investors with foreign, particularly the German, securities markets as a broker, investment advisor, and portfolio manager.

At year-end, 1987, the consolidated assets of DG Bank Group were DM 127.4 billion (U.S.$ equivalent 80.6 billion) while its business volume (total assets plus contingent items) reached DM 135.0 billion (U.S.$ 85.3 billion). The Group's loan portfolio expanded by 7.6 percent, to DM 83.7 billion (U.S.$ 52.9 billion). Above-average growth was achieved in export finance.

The Group also recorded continous growth in its foreign documentary business, foreign exchange, securities and syndication business. DG Bank acted as lead manager in nine international issues and as a co-manager in a further 209 international issues of shares and bonds; for the first time, the Bank introduced the shares of an American corporation to the Frankfurt Stock Exchange.

The consolidated assets of the entire German cooperative banking system which comprised, at year-end, 1987, 3,480 local banks with a total of more than 19,000 offices throughout the Federal Republic, five regional banks, the DG Bank Group and numerous specialized financial institutions, exceeded DM 560 billion (U.S.$ 354 billion). The system is ultimately owned by eleven million shareholders. □

DANZAS

DANZAS GmbH, one of the big forwarding organizations in Germany is a wholly owned subsidiary of DANZAS AG, Basle and was founded in 1919. Today we have 75 offices in the Federal Republic of Germany, including West Berlin.

Special divisions for air- and oceanfreight and for project shipping worldwide, specialized departments for food transports as well as for Trade Shows in Germany and abroad guarantee a high measure of competency and

experience. As one of the largest forwarders, we offer a full range of transportation.

We know the competing carriers and we are able to match special demands and their special requirements. Being independent, we are not obligated to any carrier.

DANZAS GmbH cooperates with the whole DANZAS network internationally in Europe and overseas. We are represented in all 5 continents with more than 600 DANZAS offices and 13,000 employees.

In addition, DANZAS International as our sales representation in the USA (among others in New York, Atlanta, Charlotte, Chicago, Greenville-Spartanburg, Los Angeles, Miami and Richmond) holds a tight contact with our customers.

DANZAS ALLTRANSPORT (Div. of Alltransport, Inc.) headquartered in New York, has branches in Baltimore, Chicago, Houston, Los Angeles, New Orleans, and Norfolk. Another subsidiary is the DANZAS Seaway Forwarding Corp. in Cleveland and Toledo.

The entire DANZAS organization guarantees professional handling for all door to door forwarding requirements across international boundaries.

To offer our client up-to-date handling in documentation and communication, we use the most advanced equipment to communicate around the world.

We will continue to serve our customers efficiently in the future and to help them save money in the field of transportation, because this is our market. □

Degussa

DEGUSSA AG, founded in 1873 and headquartered in Frankfurt am Main, Federal Republic of Germany, has grown from a refiner of gold and silver coinage to an international leader in the development and manufacture of chemical, precious metal and pharmaceutical specialties with worldwide annual sales exceeding $6 billion. In addition to maintaining numerous plants and research and development laboratories in the Federal Republic of Germany, Degussa supplies intermediate products from manufacturing facilities in 22 countries throughout the world.

Degussa Corporation, the American subsidiary of Degussa AG, supplies technology, services and products used in diverse domestic industries such as agriculture, automotive, ceramic and glass, dental, electronic, health care, plastic and textile. Production plants in the United States are located in Alabama, California, Kentucky, New Jersey, New York and Pennsylvania.

During 1987, Degussa Corporation continued its expansion. The Company's Chemical Group established itself as a technology driven supplier of hydrogen peroxide. New applications benefitting the environment were introduced. The 80 million pound hydrogen peroxide plant in Mobile, Alabama, was completed in July 1987. Degussa Corporation's DL-methionine, an amino acid used as a feed additive, participated in the general expansion of the market. Lower corn acreage resulted in lower demand for cyanuric chloride, an intermediate for herbicides. The market for Aerosil, a pyrogenic silica with a variety of applications, increased. Imported chemical specialties maintained their market position in spite of the strength of foreign currencies. New types of catalysts were introduced and the efforts to develop even newer and better catalysts continue. The North America Silica Company, a joint venture with the PQ Corporation, expanded sales and production facilities. Ultraform Company, a joint venture with BASF Corporation, constructed a polyacetal resin plant at Degussa Corporation's Mobile, Alabama site. Degussa is building a formaldehyde plant at Mobile to supply raw material for the production of this engineering resin. The Applied Research & Technical Service Laboratory, which was established 1986, supported the Chemical Group by finding and developing new application for specialty chemicals.

The Metal Group of Degussa Corporation successfully integrated Metz Metallurgical Corporation, thus creating the basis for continued transfer of Degussa technology and further improvement of its industrial precious metal activities. Degussa Dental Inc. increased its sales in a difficult market. After successfully starting operation, Degussa GFO Inc. continues to expand its production facilities and is increasingly servicing the electronics industry with its Elamet process. Degussa Electronics Inc. is concentrating its expansion on high purity metals and cermets for use in a variety of applications for the electronics industry. In order to streamline operations, Degussa Electronics sold its Hybrid Division at the end of the fiscal year.

Despite uncertainties with regard to the general economic situation, Degussa Corporation looks with confidence to the future. Technology available from the parent company, sufficient financial resources and the dedication of its employees will guarantee the continued growth of this corporation. □

BABCOCK

DEUTSCHE BABCOCK AG, a public company with about 38,000 shareholders, is based in Oberhausen. The Deutsche Babcock Group ranks among the most important machine and plant construction companies.

In the fields of power engineering, environmental engineering, process engineering and mechanical engineering Babcock shows many years of experience, technical competence and innovative strength. Babcock is an engineering company with its own manufacturing facilities for key components. This structure enables the Babcock Group to enter many partnerships worldwide and establish its own companies in the market in question.

Overall, Babcock has about 22,000 employees in some 50 operative companies and achieves a business volume of about US $3 billion, more than 40% of it abroad (1988).

The machine and plant construction group offers a very broad range of environmental technologies all over the world. The main activities in this field are centered at Deutsche Babcock Anlagen AG in Krefeld.

They cover the whole area of waste treatment for municipal and industrial refuse, air pollution control as well as potable water treatment and waste water cleaning including sludge conditioning.

The most important technologies Babcock offers today have developed from traditional plant construction, especially power plant construction. Since the formation of the company 90 years ago, the know-how has originated in company-owned development centers and has been extended by the acquisition of specific licenses and companies. Today, environmental engineering contributes 25 percent to the business volume of the Deutsche Babcock Group.

In the Federal Republic of Germany, Babcock succeeded in securing high market shares in all fields of environmental engineering, for instance, 26% in flue gas desulfurization, 20% in nitrogen oxide reduction at power plants, and 46% in refuse incineration plants. This market was largely influenced by the stringent pollution control legislation.

The engineering companies of Ford, Bacon & Davis Inc. have been operating in the American market for decades and employ today some 1,200 persons. They were mainly involved in engineering for the petrochemi-

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Deutsche Credit Corporation

cal, the pulp and paper industry and for mining equipment.

In addition to these activities, Babcock has provided technical know-how for the design and construction of environmental protection plants. The company has been very successful so far in the field of incineration of industrial and municipal waste.

Babcock is also represented in the American market through Ford, Bacon & Davis with its well-proven technology for power plant gas treatment.

Considering the growing environmental awareness of the people in the United States and the anticipated legislative initiatives, Babcock is preparing to comply with the special requirements of the market together with its American engineering staff and existing local sub-contractors.

In the United States, the Deutsche Babcock Group sees great chances for growth in all fields of activity, including for its subsidiaries TLT-Babcock Inc., Precismeca Corporation, Baldwin Steel Company, LMF Compressors Inc, Babcock-BSH Inc. and Bergemann USA Inc. □

Deutsche Bank
A century of universal banking

DEUTSCHE BANK, headquartered in Frankfurt-on-Main, is the largest bank in the Federal Republic of Germany with total assets (consolidated) as per December 31, 1987 of DM 268.3 ($169.8) billion, deposits of DM 244 ($154.3) billion and Group capital and reserves of DM 10.85 ($6.9) billion. It is also one of the world's leading banking institutions.

Deutsche Bank as a "universal bank" is active in both commercial and investment banking and, since the acquisition of the majority of one of Germany's leading management consulting firms, Roland Berger, also is in consultancy banking. The Bank and its 40 consolidated subsidiaries consist of commercial banks, mortgage banks, investment banking companies, leasing companies, international financing companies, consulting firms and other specialized institutions in Germany and abroad.

The principal strength of Deutsche Bank derives from its commercial banking position in Germany where it can claim to be the leading bank in corporate and private customer-relations and asset or deposit-wise. Its network comprises 1322 domestic branches. Deutsche Bank also is Germany's largest investment bank and brokerage firm. It ranks among the top participants in the Eurobond market and is represented in all important financial centers of the world. Through Deutsche Bank Luxembourg S.A., the Bank is one of the leading institutions involved in Euromarket lending and loan syndications.

The Bank, in recent years, has substantially increased its international commercial banking activities with a special focus on Europe where its position could be enhanced considerably in Italy, Spain and Portugal. With similar emphasis, the Bank consolidated its representation in East Asia by acquiring the former European Asian Bank and merging it with Deutsche Bank, thereby adding a comprehensive branch network in one of the major growth areas of the world.

Deutsche Bank's objectives in North America last year continued to center on serving the needs of its German and other international clients active in the U.S. and Canada as well as on developing further its position in the North American domestic corporate market. Its New York Branch, established in 1978, is involved in commercial wholesale

banking with an emphasis on short and medium term lending, trade finance, international documentary business, foreign exchange and money market dealings. Offshore activities are channeled through the International Banking Facility (IBF) and Cayman Islands Branch. Representative offices are maintained in Chicago and Los Angeles.

Deutsche Bank is engaged in U.S. investment banking and security brokerage through its wholly-owned subsidiary Deutsche Bank Capital (see separate profile). In Canada the Bank operates—in the commercial banking section—through Deutsche Bank (Canada), a representative office and the wholly-owned investment dealer McLean McCarthy, all in Toronto. Furthermore, the Bank is active in the U.S. in sales financing through its wholly-owned subsidiary Deutsche Credit Corporation in Deerfield, Illinois (see separate profile). □

Deutsche Bank Capital Corporation

DEUTSCHE BANK CAPITAL CORPORATION (DBCC) has been operating in New York since 1971 and presently employs over 250 professionals and staff. It is a member of the New York Stock Exchange and other principal U.S. exchanges. Deutsche Bank Capital Corporation has paid-in capital in excess of US $100 million.

DBCC's Corporate Finance Department offers a wide range of public and private financings in the U.S. to both U.S. and international clients, including debt and equity underwritings, tax-exempt issues and private placement of preferred stock. The Merger and Acquisition services include advice on mergers, acquisitions, divestitures, and joint ventures in the U.S. and Europe. DBCC's International Leasing Group, as part of the Bank's International Leasing Department, provides clients with a complete range of U.S. and international leasing structures; this includes crossborder leasing and combinations of crossborder and U.S. structures.

The DBCC Swap Department, in concert with the bank's swap teams in London, Tokyo and Frankfurt, gives advice on and executes interest rate, currency and cross-currency interest rate swaps in all major currencies.

DBCC's International Securities Department trades and makes markets in German and other foreign equities and ADRs as well as major currency fixed-income securities. An integral part of the bank's worldwide investment banking network, the International Securities Department provides access to Deutsche Bank's trading and research departments in all important financial centers.

The U.S. Dollar Equities Department provides institutional investors with U.S. equity brokerage, weekly analyses of U.S. economic and capital market conditions, primary research on North American equities and direct placement of primary and secondary equity offerings through its syndicate participations. This department serves as an important link between German investors and U.S. stock markets. DBCC is a *major bracket* underwriter of U.S. corporate bonds and a major distributor of eurodollar bonds for the Deutsche Bank Group.

DBCC's money management services are available to institutional and substantial private investors wishing to diversify into U.S. dollar equity and fixed-income investments. Employing a top-down, fundamentally-driven approach, this department emphasizes capital preservation and risk avoidance. Investment strategies adhere to guidelines established in conjunction with the client.

The Real Estate Division of DBCC combines real estate expertise with capital markets experience to create traditional or innovative financing services. These include securitization of investment-grade commercial real estate, private sales and the sponsorship of income-oriented partnerships. This division acts as investment advisor to a number of Real Estate Investment Trusts with investments of approximately US $1 billion.

DBCC cooperates closely with the bank's other North American operations in a wide variety of public and private financings and financial services. □

Deutsche Credit Corporation

DEUTSCHE CREDIT CORPORATION, a Chicago based commercial finance company with a nationwide network established in 1978, is a wholly owned subsidiary of Deutsche Bank AG and a major source of asset based financing or leasing for domestic and international companies.

The comprehensive range of financial services offered by Deutsche Credit Corporation includes custom-designed financing programs in areas like capital equipment loans, leasing, leveraged leasing, conditional sales financing, floorplanning and private label financing. These wholesale and retail marketing programs can accommodate manufacturers, dealers/distributors and end-users.

Deutsche Credit Corporation focuses on financing capital goods produced by the following industries: Aircraft, Communications, Construction Machinery, Data Processing, Electronic Instrumentation, Machine Tools, Material Handling, Medical Equipment, Mining, Printing and Graphic Arts, Transportation, Production Machinery and more.

Headquartered in Deerfield, Illinois (a Northwestern suburb of Chicago), Deutsche Credit Corporation employs 160 professionals in the head office and its regional and district offices, located in major industrial areas such as Atlanta, Chicago, Dallas, Los Angeles, Minneapolis, New York, Philadelphia, Richmond, San Francisco and Tampa. Through this network Deutsche Credit Corporation is able to provide efficient financial service to its corporate clients nationwide. □

DRESDNER BANK AG was established in 1872, and is headquartered in Frankfurt, West Germany. As of December 1987, the Dresdner Bank Group reported consolidated assets of DM 207 billion, ($122 billion) and the company ranks among the largest banks in the world.

As a *universal bank*, Dresdner Bank offers a full range of banking services. Internationally, the bank specializes in commercial banking and in the management of mutual funds, and pension funds. The bank holds a leading position in placing bond issues floated by international issuers, and in introducing shares of corporations to the German stock exchanges. The bank plays a significant role in the foreign exchange and money markets, and in gold bullion trading.

Dresdner Bank has been internationally oriented since its founding. Multinational business makes up about a third of total assets. A worldwide network of branches and representative offices and decades of experience enable the bank to assist clients in their international business activities. As a syndicate manager, Dresdner Bank organizes the financing of large-scale projects in several countries, and has provided leadership in financing the sales of the European Airbus.

During the past three decades, Dresdner Bank has increased its activities in the United States. It serves its customers through branches in New York, Chicago, and Los Angeles, a subsidiary in Miami, and representative offices in Houston, and Miami.

Dresdner Bank has a 75% participation in ABD Securities Corporation, and has gained a good position in the American brokerage and investment business for its U.S. and German customers. A wholly-owned subsidiary, ABD International (ABDI) manages international portfolios for pension funds and other institutional investors. In recent years, ABD-NY Incorporated was formed. This is a subsidiary of ABD, and owns five seats on the New York Stock Exchange. These activities continue in the Far East with Dresdner-ABD Securities Ltd., located in Hong Kong, and Tokyo. The company is a member of the Tokyo Stock Exchange. Its primary areas of operation are securities and new issues, and trading in Japanese equities and bonds.

Dresdner Bank assists its customers in dealing with specialized problems arising in international business, and offers an individualized service backed up by offices in more than 50 countries worldwide. □

EM INDUSTRIES, INC.

EM INDUSTRIES' business will reach a volume of $100 Mil. in 1987 and is expanding at a fast rate. The business is channeled through four operating divisions: The PIGMENT DIVISION supplies pearlescent pigments for cosmetic and industrial applications. These pigments are produced in a large industrial facility in Savannah, GA, which was constructed in 1979 and has been significantly expanded in 1987-88. Further expansions are scheduled for the early 1990's. Among the industrial applications, the major target group is the automotive industry, where new exterior colors have been created with the pigments produced by EM Industries. Other markets are the plastics, wallpaper and textile industries.

As to the cosmetical use, the RONA PEARL business group is handling this product line. The pearlescent pigments add an iridescent glow to powders, eye shadows, blushers, lipsticks, liquid makeups, nail enamels, cream, shampoos and soaps.

The ADVANCED CHEMICALS DIVISION supplies sophisticated specialty chemicals to a variety of high technology industries. Interesting products include photoresists for the semiconductor industry, liquid crystals for display manufacturers and monocrystals for optical applications. In 1984, EM Industries acquired the OPTOVAC group of North Brookfield, Mass., which is a domestic manufacturer of optical crystals. Optovac's facilities have recently been expanded to accommodate the future growth of this high technology business.

The EM SCIENCE Division was initially based on the acquisition of MCB Manufacturing Chemists of Cincinnati, Ohio. MCB is one of the oldest, most respected names in the field of laboratory chemicals. MCB had been able to extend its product offerings with the addition of fine laboratory products from E. Merck, Darmstadt, the largest worldwide supplier of high purity chemicals. MCB manufactures and sells close to 4,000 products for analytical and research purposes in industrial, educational and government laboratories. The manufacture of the EM Science product line is handled by a sizeable facility in Cincinnati, Ohio, which is presently being modernized to accommodate the fast growth

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of the business. EM Science has expanded its product line to include HPLC (High Performance Liquid Chromatography) instruments manufactured by HITACHI, as well as HPLC columns and other supplies. In mid-1987, a majority participation in INTERACTION CHEMICALS, INC. was acquired to expand the HPLC column business. Interaction manufactures polymeric HPLC columns and is located in Mountain View, CA.

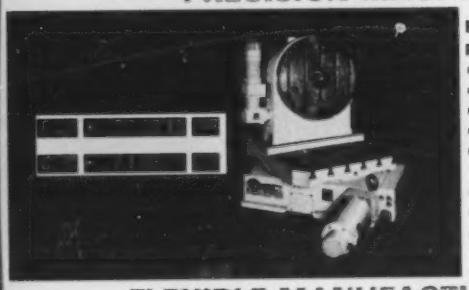
E. Merck's diagnostic business is being handled by an associate company, EM DIAGNOSTIC SYSTEMS, INC., which, however, continues to be a part of the United States Merck activities. EMDS is involved in the clinical chemistry market and has a modern manufacturing facility in Gibbstown, New Jersey, which also produced for other diagnostics companies on an OEM basis. The FINE CHEMICALS DIVISION in turn supplies a range of high purity chemicals to the pharmaceutical and food industry, which includes traditional vitamin compounds like Vitamin C, where E. Merck, Darmstadt, is one of the world's largest manufacturers.

Since its inception, EM Industries has conducted clinical research for the Pharmaceutical Department of E. Merck, Darmstadt. These activities have now been concentrated in a new subsidiary, EM PHARMACEUTICALS, INC., which has expanded its facilities and staff to pursue these activities more aggressively. EM Industries is also testing new plant protection products developed by Shell Agrar of Ingelheim, Germany. □

APPLICATION PROVEN PERFORMANCE

EIMELDINGEN INDIANAPOLIS

PRECISION MACHINE TOOL TABLES



Eimeldingen provides several approaches toward precise work-piece positioning:

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- Numerical control and automatic indexing
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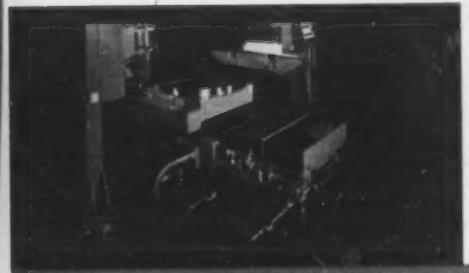
- Machines of different manufacturers with different capabilities can be integrated to form a fully-automated machining cell
- Installation involves minimum machining production downtime . . . without touching the interior mechanics of the machine itself

SPECIAL APPLICATION EQUIPMENT



The name EIMELDINGEN has been synonymous with precision production instruments to more than 20 markets . . . worldwide . . . for over 30 years. Eimeldingen also designs, manufactures and installs special application equipment—to exacting customer specifications. The photo shows an Eimeldingen motion system designed for the aerospace industry; the system is precise to 5 arcsec. in rotation and to 40 micrometers in elevation and translation. Contact EIMELDINGEN/Indianapolis to discuss your special application equipment project.

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EIMELDINGEN

EIMELDINGEN Corporation, a wholly-owned subsidiary of Maschinenfabrik Eimeldingen in Eimeldingen, West Germany, was founded in 1979 in Indianapolis, Indiana. Eimeldingen is one of the world's largest manufacturers of ultra-precise rotary machine tool tables. . .dividing, graduating and coordinate tables. . . required for extremely accurate machining, measurement and inspection.

Eimeldingen's international reputation for extreme precision is acknowledged and utilized by industries manufacturing aerospace equipment, aircraft, helicopters, automobiles, generators and turbines.

This prestigious international company was founded in 1932 near Stuttgart as a designer and manufacturer of automatic transfer machines. In 1945, a new production facility built in Eimeldingen, West Germany, started manufacturing vises; various tilting and rotary movement workholding pieces—necessary for a retooling industrial nation—resulted from these original vises.

In the 50's when industry required precision measuring and inspection tables, Eimeldingen designed and manufactured rotary and rotary tilting tables to meet these requirements. In the early 1970's, Eimeldingen's rotary machine tool table was interfaced with other industrial operations, including numerical control capabilities. This served to open the OEM market for Eimeldingen precision rotary tables, which were being widely used for production purposes; since 1975, nearly 80% of all Eimeldingen products have been used in a production function, with sales to all Western countries.

Eimeldingen Ltd. was opened in 1977 as a sales and service facility to accommodate Great Britain and the British Isles. Eimeldingen/Indianapolis was established in 1979 to provide the international firm with yet another manufacturing facility. Eimeldingen/Indianapolis designs and builds precision machine tool tables in many different configurations, palletizing components and systems for automated parts loading and positioning, air bearing rotary tables for micro-machining

and parts inspection, air bearing multi-axis superfinishing systems for micro-machining applications, and special application equipment and systems to solve complicated manufacturing operations.

SIP machining centers—recognized worldwide as the leader in precision machining centers—in combination with technically qualified design and electronics personnel make it possible for Eimeldingen/Indianapolis to provide the United States market with the same precision industrial manufacturing equipment as that built in Europe. □

EUROSEARCH

EUROSEARCH CONSULTANTS INTERNATIONAL is the product of collaboration by Joerg Zauber and four other leading European personnel consultants. Founded in 1968, the company is represented today by international associates and 55 consultants located in nine European, North American and Asian nations.

Eurosearch Consultants provides advisory support for industry, trading organizations and service-sector companies in solving personnel problems in the top management and executive echelons, and operates exclusively on the direct search principle.

Eurosearch Consultants is not only the first German consultant to work solely on this principle, but is also the first in the field to give the client a success guarantee. This guarantee states simply: "If the candidate recommended by Eurosearch does not fulfill the client's expectations within the first twelve months of his or her employment, then we will nominate additional candidates at no further charge".

With just a few exceptions, the posts being filled command annual salaries of between 200,000 and 700,000 DM.

More than 80% of the placements last year were in management—CEO's, executive board members and division managers—and for positions reporting directly to the CEO or the executive committee. Experts in computer technology, biotechnology and top-level research were the targets for some 8% of the positions. 104 openings were successfully filled in the business year just completed.

There are currently 12 associates on the spot in the German office, six of whom are full-time, professional consultants.

The services rendered by Eurosearch Consultants comprise:

- a systematic analysis of the situation at hand
- defining the qualifications profile
- identifying and taking up personal contact with potential management employees
- conducting personal interviews to evaluate candidate qualification for the particular position
- serving as moderators in interviews between the client and the candidate
- obtaining references and
- maintaining close contact with the client and the new employee during the familiarization phase.

Some 3 to 4 months will normally elapse between placing the search order and concluding a contract with a suitable candidate. One may assume that a list of candidates will be presented to the client about six weeks after the commission is placed. □

FAG

FAG BEARINGS CORPORATION is an international organization whose trademark is a worldwide symbol of quality and dependability in the design and manufacture of bear-

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ings in all sizes and configurations. FAG is recognized as the signature of one of the world's oldest and largest manufacturers of precision ball and roller bearings. Since 1883 FAG has led the way in the development and refinement of bearing design and technology. Today, FAG employs over 29,000 people in branches and affiliate plants in the U.S.A., Canada, Brazil, Germany, Austria, Switzerland and Portugal. There are, in addition, FAG sales and service offices and distributors in more than 100 countries.

FAG headquarters in the U.S.A. are located in Stamford, Connecticut, where a full complement of administrative, marketing, engineering and distribution personnel service the American market. The chief U.S. production facility is in Joplin, Missouri. After undergoing extensive expansion, the Joplin plant has been producing an extended range of bearing types in sizes hitherto never produced in the U.S. FAG's capabilities in bearing design and manufacturing are second to none. From automobiles to steel furnaces, farm machinery to spacecraft, FAG is ready to provide bearings, housing, accessories and components, whatever and wherever the need. □

uled with our customers. Feralloy plants are conveniently located to supply "just-in-time" our customers with prime steel at competitive prices.

During the past years, Feralloy has invested heavily in new equipment as well as in new plants near San Francisco and Los Angeles. The recent investments have been particularly focused on our objectives to strengthen quality assurance. Because Feralloy is committed to its customers LONG-TERM, investing in quality equipment certainly is part of our success.

During the past thirty years, Feralloy has established the credibility necessary for a supplier to become an integral part of the customers' production operations.

Feralloy has a commitment to customer service and dedication to respond to customer requirements. Supported by the financial strength needed to carry inventory and provide modern facilities, Feralloy has earned an excellent reputation based upon integrity. □

Crédit Suisse, to create a global holding company, CS First Boston Inc. The terms of the agreement were finalized in December 1988. The new Company's activities will be conducted by The First Boston Corporation in the Americas and by CSFB in Europe, the Middle East, and Africa. A new subsidiary, CS First Boston Pacific, to be organized in 1989, will carry out activities in the Far East and Australasia.

First Boston provides specialized corporate finance advisory services. First Boston's "German Desk"—established in 1981—tailors its comprehensive capabilities for our expanding German client base. For example, First Boston is preeminent in merger, acquisition, takeover defense, and divestiture activities.

In short, First Boston, working with affiliates and subsidiaries around the world, is a global investment bank, capable of meeting the financial needs of companies wherever those needs arise. □

Feralloy CORPORATION

FERALLOY is a pioneer in the steel processing industry. More than thirty years ago, Feralloy began operations in Chicago with one coil slitting line and a large commitment to customer service. Today, Feralloy serves the steel processing requirements of the entire United States through seven processing facilities which are located in:

- Chicago, Illinois
- New Castle, Delaware
- Birmingham, Alabama
- Granite City, Illinois
- Cleveland, Ohio

and Feralloy's new company is:

- Feralloy West Company, Pittsburg, California & Fontana, California

Feralloy of today is one of the largest, most experienced steel processing companies in the country and is a major supplier of processed flat-rolled steel in either slit coils or cut-to-length sheets from master coils held in our inventory under a stocking program sched-

First Boston

FIRST BOSTON, INC., headquartered in New York City, is a full-service international investment bank. As financial intermediary, we are in constant contact with both the suppliers and users of capital worldwide; moreover, we strive to be consistently creative in our approach to meeting their financial and strategic objectives. Our market-making and trading activities cover the complete range of securities of corporations, financial institutions, and governments and their agencies, 24 hours a day.

First Boston established a unique affiliation in 1978 with Financière Crédit Suisse-First Boston (CSFB), a leading London-based merchant bank. Together, First Boston and CSFB offer comprehensive international investment banking and securities trading services. First Boston and CSFB are consistent leaders in raising capital worldwide, and the two form a dominant trading force in the world capital markets. Through our alignment with CSFB-Effectenbank in Frankfurt, we are the only U.S. investment bank also to offer unlimited flexibility in meeting the particular needs of German and non-German companies in the DM-denominated securities market.

In October 1988, First Boston reached an agreement with Financière Crédit Suisse-First Boston and CS Holding, an associate of

Messe Frankfurt

MESSE FRANKFURT is one of the world's largest trade-fair companies—situated in Frankfurt, the banking and financial centre of Germany. In terms of numbers of exhibitors and visitors, as well as exhibition space rented, Messe Frankfurt's programme of fairs and exhibitions has recorded continuous growth since the beginning of the 1980s.

The 30-plus international fairs and exhibitions at Messe Frankfurt can be classified into two major categories: consumer goods fairs and investment goods fairs. "Today, consumer goods fairs in Frankfurt account for approximately 45 percent of our programme of events," said Dr. Horstmar Stauber recently during a press conference. "On the other hand", he continued, "the number of fairs in the investment goods and service sectors have increased at a far higher rate."

Of the fairs and exhibitions organized in Frankfurt, twelve are the largest in the world in their respective fields. These classic events offer the total range of the latest products and developments worldwide. While the concept of the large fair is constantly adapted to the changing demands of economic developments, research conducted by Messe Frank-

furt over the past years has shown that specific market needs can only be met by special-interest fairs. Since 1985, 14 specialised fairs have been added to the fair programme—mainly in the high-tech and communication sectors—and many other topics in clearly defined areas are on their way.

Over 30 fairs in 1989

In 1989, over 30 fairs and exhibitions will be held in Frankfurt. In the investment goods and service sector, there will be the *ISH* in March, the *IFFA* in May, the *Agritechnica* in December, as well as the special-interest fair *Power Supply* in June, 1989. In May, the database event *Infobase* will be on for the fifth time. The media show *Broadcast* will be staged again in October, 1989.

The world's largest consumer-goods fairs, the *Frankfurt International Spring Fair* and the *Frankfurt International Fall Fair*, will take place in February and August, 1989. Messe Frankfurt is the world's leading organizer of fairs and exhibitions for the textile industry. The four events in this sector scheduled for 1989 are: *heimtextil* in January, and *interstoff* in March and October, as well as the special-interest fairs *format* in April and *Techtextil* in June.

International Meeting Place

International trade fairs in Frankfurt have a very significant proportion of international exhibitors, giving a comprehensive overview of the products and services offered by many competing countries. This in turn is an incentive for trade buyers from all over the world to attend, thus creating a really international meeting place.

Business overseas

The increasing internationalization of markets has caused Messe Frankfurt to introduce new marketing strategies for overseas. The third edition of *interstoff Asia*—International Trade Fair for the Asian Garment Manufacturing Industry—in Hong Kong in November, 1989, promises to be just as great a success as the previous events: all segments are represented from men's and women's wear to children's collections and sportswear, with the emphasis on high quality textiles made of cotton and blended fibres. *interstoff Asia* is aimed above all at the demand side of the industry in all Asian countries, as well as the West Coast of the USA.

Construction Programme

The fair ground's centre and western sections were renovated during the first half of the 1980s at a cost of DM 750 million (approx. US $ 370 million). In the eastern section, the new Hall 1 and the Frankfurt Trade Fair Tower, which will be the tallest building in Europe, are currently under construction. Tishman Speyer Properties Inc., a leading American real estate firm, will develop and own the Trade Fair Tower. "Frankfurt presents an excellent economic opportunity since it is one of the four financial capitals of the world", said Jerry I. Speyer, President of Tishman Speyer.

The office skyscraper will rise about 840 feet above the city's Fair Ground. About 920,000 square feet of office space will be available in the tower's 55 stories. The tower is a symbol of the importance of trade fairs in Frankfurt; its considerable size is equaled only by the large role that trade fairs have played in Frankfurt's history. The city was one of the first in Europe to receive a charter permitting it to hold trade fairs and it has been doing so since the mid-13th century. Seven and a half centuries later, Frankfurt is still a thriving trade fair center. In 1987, over two million visitors viewed the products of approximately 30,000 exhibitors at over 30 fairs; further, if we include special events and congresses, far over three million visitors came to the Frankfurt fair ground.

Participation from the United States

From the United States, about 800 exhibitors and more than 5,000 visitors came to the fairs and exhibitions in Frankfurt. This means

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that about two percent of all foreign visitors in Frankfurt came from the United States. Interesting in this connection is the fact that every year, some 40 percent of all American exhibitors who set up their stands in the Federal Republic of Germany do so in Frankfurt.

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MERCEDES-BENZ
TRUCKS

FREIGHTLINER
TRUCKS

FREIGHTLINER CORPORATION views its markets not simply as a truck manufacturer, but as a transportation consultant. The trucking business is competitive and complex. It is influenced by the truck, the driver, the road, the government, the economy and by the customer's business needs.

The company's goal is to enable customers to get the greatest return on their investment by addressing the total environment in which the truck operates to increase efficiency, productivity and safety over the life of the vehicle.

Freightliner Corporation, headquartered in Portland, Oregon, produces and markets heavy-duty (Class 8) Freightliner trucks and medium-duty (Class 6/7) Mercedes-Benz trucks for North America.

This year Freightliner introduced a new line of Conventional and Cab-over-engine (C.O.E.) models that epitomize the company's holistic approach to trucking. The 1989 line of trucks includes proven new approaches in aerodynamics, ergonomics, electronics and vehicle maintenance software. The essence of the company's sales and marketing strength for the 1990's is in total vehicle support systems.

Freightliner trucks are now the Number 2 nameplate in America. The company is a wholly-owned subsidiary of Daimler-Benz AG of West Germany, the world's largest commercial vehicle manufacturer.

Freightliner's new 1989 models include an aerodynamic Conventional and C.O.E. tractor, a top-of-the-line premium edition of the Conventional and C.O.E. called *Thunder and Lightning*, and a new *Baby 8* tractor for short-haul and regional applications.

The company also introduced several new product options, such as a set-back front axle configuration for the C.O.E. tractor, and a sleeper box for the FL 112 medium-length Conventional tractor.

The company sells and services its products through a network of more than 300 Freightliner and Mercedes-Benz truck dealers in the United States and Canada. Dealers are backed by six regional sales and service offices and eight parts distribution centers strategically located to serve customers throughout North America.

Together with its subsidiary, Mercedes-Benz Truck Company, Freightliner Corporation has production facilities in Portland, Oregon; Mt. Holly and Gastonia, North Carolina; Hampton, Virginia; and Burnaby, British Columbia. The company also has a technical engineering and design center in Charlotte, North Carolina.

Freightliner became the industry leader in truck innovation and design, creating the first all-aluminum cab, the aluminum integral sleeper and the first 90-degree tilt cab. In addition, the company spurred the application of the diesel engine for over-the-road use. Freightliner built its first conventional tractor in 1974.

In 1981, Daimler-Benz AG bought Freightliner Corporation from Consolidated Freightways, and a year later merged its Mercedes-Benz Truck Company with Freightliner, placing Daimler-Benz' North American commercial vehicle manufacturing and marketing operations under one corporate umbrella. Today, Freightliner is the second largest producer of heavy-duty trucks in America. □

Frenkel & Co. Inc.

FRENKEL & CO., INC. has been a leader in the field of Commercial Insurance and Risk Management for over one hundred years.

We have enjoyed a healthy growth based on a philosophy of being large enough to provide an in-depth approach to corporate insurance problems and small enough to do this on a personal basis. Our many long-term relationships are testimony to the bonds of trust that have been formed through years of dependable service.

Our Risk Management professionals analyze and evaluate exposures to loss and design comprehensive insurance packages specifically tailored to our individual client's needs. We provide safety and fire prevention consulting services. We work closely with our clients to reduce potential loss to property and to personnel. Our Claims Division facilitates prompt and satisfactory settlement of claims. Rounding out the full range of brokerage services are experts in Employee Benefits and Estate Planning.

Through a network of domestic and foreign insurance underwriters, we arrange protection at competitive costs for exposures covering all facets of property, casualty, marine insurance and surety.

Insurance requirements of American subsidiaries of German companies require specialized, in-depth knowledge of German business practices, needs, and relationships as well as an understanding of the insurance marketplace in Germany.

We are particularly proud of our association with our many German-American clients. We can work directly with U.S. subsidiaries of a German parent and equally well in conjunction with a captive broker, risk manager or an independent correspondent broker located in Germany.

You can contact us by calling or writing Mr. Martin L. Elkinson, Executive Vice President, Frenkel & Co., Inc., 123 William Street, New York, New York 10038, telephone (212) 267-2200. □

Freudenberg

The FREUDENBERG parent company was founded in 1849 in Weinheim/Bergstrasse as a leather tannery. In the ensuing years, Freudenberg has expanded into a large multinational corporation spanning many countries with 120 manufacturing, trading, and holding companies, employing 24,000 people.

Currently in the U.S.A., Freudenberg operates five manufacturing and three distribution companies in 20 locations, employing approximately 3,300 people.

The product pallet has also grown to include a broad variety ranging from precision components to consumer articles serving the automotive, capital goods, electronics,

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construction, clothing, footwear and leather industries.

In 1950, as one of the first German manufacturing companies to establish itself in the U.S.A. after World War II, Freudenberg founded the Pellon Corporation in Lowell, Massachusetts. This facility continues to produce high quality *Pellon* nonwoven fabrics, which has become synonymous within the clothing industry for interlining materials used in garments to retain their shape. Additional engineering and consumer applications for nonwovens are for battery separators, filter media in air-conditioning and ventilation systems, medical and hygiene products, etc.

Six years after founding Pellon, Freudenberg acquired Disogrin, its first engineered plastics company. A leader in polyurethane elastomers, Disogrin's proprietary elastomers have unique properties such as exceptional strength, abrasion and tear resistance, resilience and long term stability. Since they can be shaped into complex configurations, their applications range from heavy-duty hydraulic seals and packings—used in off-road equipment in the construction and farming industries—to scientific, industrial and consumer applications.

The International Packings Corp. and Escan Corp., both Freudenberg companies since the seventies, primarily serve the needs of the automotive and heavy equipment industry. Rubber and silicone compounds form the basis upon which sophisticated technology, engineering expertise and consistent product quality, in the form of precision seals, and other components, are used to solve the demanding needs of the major automobile, farming and construction manufacturers and their suppliers. The applications for their products include sealing elements for brake systems, transmissions and engines, as well as rubber-to-metal vibration dampners, used both to protect the crankshaft and other drive components and in engine-to-chasis mounting.

In 1984, the Lutravil Company in Durham, N.C. became the second Freudenberg facility to produce nonwoven textiles. This plant uses a highly sophisticated and unique technology, requiring 24-hour day, seven days a week production, to create a textile fabric from raw material to finished product in one continuous operation. The products find application in the carpet, automotive and building industries. □

Insurance coverage remains an essential production factor in modern industry. It results in a reduction of potential risks and allows for professional risk management. The larger and more diversified a modern corporation becomes, the more necessary it is to develop policies which are tailored to the specific requirements of the individual enterprise. Technological progress leading to an increase and a greater concentration of values, as well as changing patterns of risk, compel today's enterprises to constantly adapt their insurance protection to meet these complex and ever-growing risks. Furthermore, corporate structures and activities in many industries have assumed an international dimension. This situation requires professional risk management, as well as an insurer with underwriting expertise and an interantional network.

GERLING-KONZERN has been a specialized insurer of industrial risks for more

than eighty years, breaking ground for others in this field. Because of its innovative power, Gerling-Konzern today is a recognized expert insurer of industrial risks, not only in Germany, but worldwide. It provides solutions to all coverage problems of industry and entrepreneurs. With 15 insurance and reinsurance companies, the Group operates worldwide and is represented in 19 countries. Collectively, the Group reported for 1987 a gross premium of DM 5.1 billion, invested assets of DM 17.1 billion and a total of 8,400 employees.

For more than thirty years the Group has expanded its foreign activities as a primary insurance company and as a reinsurer in all major industrialized countries. Its international structure makes the Gerling organization particularly suitable for the handling of insurance needs of companies with international activities. Local experts in foreign subsidiaries and service companies are familiar with the requirements and customs of the respective markets.

The primary insurance needs of our U.S. customers are managed by:

Gerling America Insurance Company
717 Fifth Avenue
New York, NY 10022

Please contact Mr. Lothar Riedle, Vice President, for further information. □

HANIEL

Duisburg-based FRANZ HANIEL & CIE. GmbH is an oldline service and trading company that was founded in 1756. Its headquarters in Duisburg-build 236 years ago under a special grant from Frederick the Great of Prussia-today stands in the center of a beautifully landscaped park. The company at this point is very strongly diversified and divided into 12 divisions according to market orientation with 31 subsidiary companies.

More than two centuries after its founding, Haniel today operates on a global scale in many different businesses. Among others: manufacture and sale of construction materials; trade in combustible materials, fuels and lubricants; barge and coastal shipping, trucking, trade; recycling and refining of raw materials for the specialty steel industry; technical services for industrial pollution control; pharmaceutical wholesale; mail order sales and international trade, express delivery systems as well as food wholesale and retail trade in the United States (Scrivner Inc., Oklahoma City).

In 1987, Haniel registered total revenues of DM 10,400 billion, about the same as last year. The robust internal growth was able to offset the strong decline in the value of the dollar.

Net after taxes grew 11 percent to DM 83 million (DM 75 million in 1986). After a dividend payout of 10 percent from its DM 200 million capital base (last year 9 percent), most of the net after taxes remained to reenforce the equity capital base and for investment in the firm.

Haniel will invest about DM 400 million in the coming year. By this means, Haniel hopes to strengthen its position in the market place abroad and at home in the service and trading areas.

The 1987 Annual Report contains comprehensive information about the firm and its diverse services and trading activities. It may be obtained from Franz Haniel & Cie. GmbH, Stabsabteilung Information, Franz-Haniel-Platz 1, 4100 Duisburg-Ruhrort. □

Hapag-Lloyd

This year HAPAG-LLOYD AG, one of the world's largest shipping companies, celebrates its 19th Anniversary. The Hamburg Bremen-based company is represented in the United States by its North American subsidiary, Hapag-Lloyd (America) Inc., New York City.

Though they are indeed proud to have completed 19 years of service, the heritage at Hapag-Lloyd goes back to the days of sailing ships. And as for celebrations, both the Hamburg-American Line (HAPAG), founded in 1847, and North German Lloyd, founded in 1857, have each separately toasted milestone 50 and 100 year anniversaries.

But the sum for these nineteen years as a joint Hapag-Lloyd entity adds up to much more than nineteen years of success. The strategic consolidation and streamlining at the beginning of the 1970's was followed by another belt-tightening and fat trimming program in the early 80's. The events and achievements of each of the last eighteen years have brought Hapag-Lloyd closer to its goal: to provide the most advanced network of transport services on the sea, land, and air. . .and to do so on a sound financial basis.

With its heritage on the sea, the birth of the new company came at a time when containerization was also in its infancy. Indeed, the merger of Hapag and North German Lloyd was brought about as a result of the high capital investment needed to convert to containerization. Both Hapag-Lloyd and containerization grew together to be strong and healthy in the past 19 years.

Before the 70's even began, Hapag and North German Lloyd had engaged in the first fully containerized service on trans Atlantic routes under the trade name Hapag-Lloyd Container Line. By 1978, the first generation containerships of the late 1960's yielded to newer, more modern 1758 teu vessels to meet the demand for additional cargo space. Then in 1985 these four vessels were jumboized by adding a mid-section, thereby increasing their capacity to 2486 teu's. Hapag-Lloyd's containership fleet, which began as four in 1968 today stands at 19.

Hapag-Lloyd travel organization, called Hapag-Lloyd Reisebuero, today operates with 77 travel agencies throughout the Federal Republic of Germany, West Berlin, Austria, Luxemburg, Switzerland and the United Kingdom. All aspects of corporate and private travel services are offered. Growth of this sector of North America is reflected in the establishment of Hapag-Lloyd Travel (America) Inc., with travel agencies in New York, Atlanta, Charlotte, Chicago, Hackensack, N.J., Philadelphia and Great Neck, Long Island, N.Y.

To meet the demand for larger cruises and more exotic destinations, Hapag-Lloyd introduced a new "Europa" in 1979. The old Europa, which had served more than 170,000 passengers for over a decade, was phased out of operation.

On the land, Hapag-Lloyd has made great inroads since 1970. Where overland container movement was in its early stages at the beginning of the decade, Hapag-Lloyd has made true door-to-door service a reality. Through the effective use of container pools, shipping agents and inland container coordinators, today Hapag-Lloyd has containers totalling around 100,000 TEU's in operation worldwide.

Throughout the past 19 years in Europe, Deutscher Container-Dienst (DCD) has coordinated inland container movements by truck and rail.

In the late 1980's, in the United States, Hapag-Lloyd has surely broadened the already wide horizons that its predecessor companies had established. □

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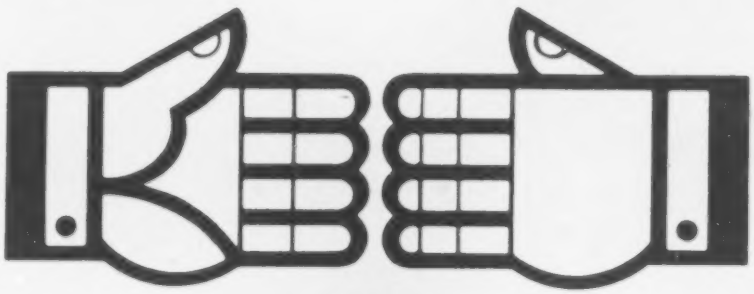
Because we know German-American business like the back of our hand.



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Helaba Frankfurt
Hessische Landesbank -Girozentrale

HELABA FRANKFURT ranks among Germany's major banks with total business volume in excess of DM 74 billion at the end of 1987. Headquartered in Frankfurt, Germany's financial center, the Bank is one of the largest issuers of bank bonds and notes with a total of more than DM 32 billion outstanding. Helaba's Eurobonds have been rated AAA/Aaa by Standard & Poor's Corporation and Moody's Investors Services, its US-Commercial Paper as well as its Euro-CD-program have been rated A1+P-1.

The Bank concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities, and other financial institutions.

Helaba Frankfurt has branch offices in London, New York and Grand Cayman and wholly owned subsidiaries in Luxembourg and Amsterdam (Helba Finance B.V., Amsterdam). The bank's international service facilities include:

- International financing with special emphasis on medium to long-term fixed-rate loans as well as short and medium-term Euro-loans to German customers abroad and multinational corporations in Germany.
- Export financing, including long to medium-term export financing on fixed interest rates, short-term import and export financing on domestic and Euromarket rates as well as *à forfait* transactions.
- Foreign commercial business, comprising international payments, clean and documentary collections, letters of credit, letters of guarantee and foreign trade financing.
- International capital market activities including Eurobond issues, lead-management of bond issues of the state of Hesse, participation in national and international stock and bond syndicates, trading bonds and notes, equities brokerage service, including investment counselling for national and international investors.
- Marketmaking in spot and forward Foreign Exchange for its worldwide correspondents, dealing in Eurocurrency deposits, Future Rate Agreements, Options and Interest Rate Futures, Currency and Interest Rate Swaps.
- A full advisory service for the Bank's corporate customers and the Hessian Savings Banks in all Foreign Exchange and Eurocurrency deposit related products. □

HILLE & MUELLER

HILLE & MUELLER is one of the leading cold rolling mills in the world. The company employs more than 2,200 people in 6 works in Germany and in the United States of America. Among the regular customers in many parts of the world are companies of different industrial branches, such as household industry, motorcar industry, electrical industry or construction industry.

Our range of products is, in the first instance, determined by cold rolled steel and by cold rolled steel strip electrolytically plated or clad with non-ferrous metals. The non-ferrous metals we are using are nickel, chromium, brass, copper, tombac, zinc and aluminium.

The aim of the company is to produce quality of the highest demands. Hille & Mueller and the associated companies are well known as producers for cold rolled steel strip and electrolytically plated cold rolled steel strip with bright glossy surfaces and closest toler-

ances. The application of our materials helps to save heavy expenditure on piece-part plating or purchase of solid non-ferrous metals. During the almost 100 years of its existence, many new products have been developed by our company. The know-how collected during that time and the constant increasing of our production programme provide the answers to the problems and requirements of the metal working industries.

Within Hille & Mueller innovation teams up with tradition. The company was founded in Grosβchoenau/Sudentenland, where, in 1885 the first mill was established. Already in 1895 the founders of the company, in the previous Porschdorf works near Dresden, successfully performed surface finish of sheets. Another mill was founded in 1905 in Duesseldorf-Reisholz, where today the headquarters of the group is located.

Another important date within company history is the year 1974, when Hille & Mueller extended their field of operation over the Atlantic and took over Rafferty-Brown, Waterbury, Connecticut, USA. This proved to be an important step. Only one year later the Thomas Steel Strip Corporation, Warren, Ohio was acquired, which is a mill with a product and market structure similar to that of the main works.

The purchase of the Westfalia GmbH in Hilchenbach in 1976 was made in an effort for diversification and in order to open a door into metal working. The Trierer Walzwerk GmbH, Trier, which primarily is producing clad cold rolled steel strip with non-ferrous metals, was bought in 1982, completing our line of products.

With works in Germany and in the USA, the Hille & Mueller organization possesses the most modern production facilities. A worldwide sales network assures direct presence in the most important markets. □

Hoechst Celanese

Hoechst

HOECHST CELANESE CORPORATION, Route 202-206 North, Somerville, NJ, 08876, (201-231-2000) is a wholly owned subsidiary of Hoechst AG, and it ranks as the largest and fastest-growing subsidiary in the Hoechst world group of companies.

Hoechst Celanese was formed in February, 1987 with the merger of American Hoechst Corporation of Somerville, and Celanese Corporation of New York. American Hoechst began business in the U.S. in 1953. Celanese dates from 1918.

In 1987, Hoechst Celanese had earnings of $169 million on net sales of $4.6 billion. Its 1988 second-quarter earnings were $88 million on net sales of $1.4 billion. Six-month net earnings were $160 million on net sales of $2.7 billion.

Hoechst Celanese is ranked among the top 100 U.S. industrial companies by *Fortune* magazine. It is ranked seventh among U.S. chemical companies.

Hoechst Celanese produces a wide range of products: commodity and fine chemicals; man-made fibers for textiles and technical applications; plastics and film for specialty, packaging and information uses; pharmaceuticals, animal-health and agricultural-control products.

The company operates plants, terminals and business offices at three dozen sites in the U.S., from Rhode Island to Texas.

Hoechst Celanese holds a 56.2 percent interest in Celanese Canada, Inc., which operates chemical, textile and technical fibers plants.

The company's principal research facilities are located in Summit, NJ, Corpus Christi, TX, and Charlotte, NC. Hoechst Celanese spends about $200 million each year on research. Supporting this U.S. research, the Hoechst group of companies worldwide spends more than a billion dollars a year on research.

Hoechst Celanese businesses produce such materials as polyester staple and filament fibers used for apparel, carpeting, and home furnishings; technical fibers are used in such applications as cigarette filters, tire cord, and industrial fabric. Hoechst Celanese makes wearable fabrics with flame-resistant qualities, and a geotextile applied in various construction applications.

The engineering plastics business makes various plastics that are found in the home, in autos and in a wide variety of consumer products that require durability and safety. Hoechst Celanese film is used in packaging and computer applications.

Hoechst Celanese Life Sciences Group manages Hoechst-Roussel Pharmaceuticals, Inc., which produces government-approved compounds that have made significant contributions to medical progress in the areas of diabetes and blood circulation. Prescription drugs include: Lasix® diuretic; Topicort® topical corticosteroid cream; Streptase® fibrinolytic agent for treating heart-attack victims; Claforan® antibiotic; Diabeta®, oral hypoglycemic agent; and Trental®, an agent that improves arterial blood flow. □

HOESCH

HOESCH was founded in 1871 as an iron and steel mill. Today, Hoesch is a group of companies, which develops, manufactures and markets technically demanding specialty products made out of steel, as well as components and systems. We make use of our versatile know-how not only in the field of heavy equipment and machinery, but also in trading and customer service. These functions form the basis for Hoesch's progress towards new and promising markets for the future.

We support free world trade—as the world is our market. This commitment is a principle of our company philosophy.

Trading and service—this business area is one of a total of four sectors in which the Hoesch group is active. Within the framework of our international strategy, we own a broadly based network of manufacturing plants and trading companies, both at home and abroad—such as in the United States of America.

Rotek Inc., Aurora, Ohio is a manufacturer of bearings, seamless rolled rings and carriage parts, as well as closed die forgings, which are sold to equipment manufacturers of cranes, excavators, dredgers, railway turntables, rotary furnances, material handling equipment and similar heavy-duty equipment.

Hoesch Tubular Products Co., Baytown, Texas is engaged in the upsetting, heat treating and threading of oil country tubular goods. The plain end tubular goods in sizes 2.3/8" through 13.3/8" are manufactured at the Hoesch pipe mill in Germany, imported into the U.S., finished at Hoesch Tubular Products and sold in the U.S. for oil drilling.

Hoesch America, Inc., Atlanta, Georgia, has played a significant role in international trade since 1957. The delivery program consists of a variety of steel products, such as hot and cold rolled flat products, structurals, pipe and tubing, as well as manufactured goods from our processing divisions. Part of Hoesch America's world wide trading activities includes export from the USA.

Hoesch—a group of companies operating worldwide. □

PHILIPP HOLZMANN

Aktiengesellschaft

PHILIPP HOLZMANN AG ranks among the world's leading international construction companies. Headquartered in Germany's key business center, Frankfurt am Main, the Holzmann company provides diversified

services to every construction segment in the international marketplace. From planning through construction completion and project start-up, these services include civil, structural and mechanical work as well as the provision of materials and equipment for project construction and installations.

Throughout its 140-year history, Philipp Holzmann AG has undertaken numerous significant projects that have proven its capability to perform successfully in all areas of planning and construction. To meet the challenges of the changing construction market in recent years, Holzmann continues its emphasis on regional and field activities and offers special services in the areas of project development, financing and specialty construction.

The company's domestic and foreign subsidiaries, too, are active in providing a variety of construction and construction-related services. Holzmann has thirty subsidiaries in Europe alone, providing a range of planning and construction services to Germany and neighboring countries. To serve Africa and Asia, the company's Central Foreign Department is staffed to handle the special requirements of these locations.

In the USA, the company is represented by Philipp Holzmann USA, Ltd. and its affliated companies, Jones Group, Inc. of Charlotte, North Carolina, and Lockwood Greene Engineers of Spartanburg, South Carolina, and their respectfve subsidiaries. These companies accounted for DM 2.6 billion of Holzmann's DM 5.8 billion revenues in 1987.

Lockwood Greene specializes in the design of industrial installations. The Jones Group companies are leading construction firms that provide not only a complete range of construction services, but also a multitude of services in the operation, maintenance and repair of projects, including power plant installations.

Backed by extensive experience in all areas of construction, with organizations that efficiently and effectively meet the changing requirements of today's construction market, Philipp Holzmann AG and its subsidiaries offer their services as competent partners with clients on projects located anywhere in the world. □

The Leading Hotels of the World.

Four hotels in West Germany are united in a special way in offering you luxury, tradition and modern management: VIER JAHRESZEITEN, Hamburg; BREIDENBACHER HOF, Duesseldorf; NASSAUER HOF, Wiesbaden; BRENNERS' PARK HOTEL, Baden-Baden. These four hotels—all members of the exclusive LEADING HOTELS OF THE WORLD—have achieved a perfect fusion of international sophistication and the human dimension. Unobtrusive luxury in every detail melds with a welcoming atmosphere that makes your stay a delightful experience. Outstanding cuisine and superbly stocked wine cellars invite even the most discerning gourmet expectations.

This history-laden part of Europe has many elegant hotels with a tradition of their own. Many of them also offer a luxurious environment with all modern facilities. Nevertheless, few have that special quality: the style and relaxed charm of a truly grand hotel.

You will find these four members of Leading Hotels of the World from north to south in Hamburg. Duesseldorf, Wiesbaden and Baden-Baden.

On the shore of Alster Lake in the heart of Hamburg's most fashionable quarter is the VIER JAHRESZEITEN, which many travellers call one of the finest hotels in Europe. The kind of exquisite, caring service you find there is perhaps only possible at a hotel with a tradition of continuing family involvement.

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Duesseldorf, that most elegant and stylish of German cities, finds its focal point in a small hotel of classic sophistication, the hotel BREIDENBACHER HOF, a few steps from the tree-lined Koenigsallee, the cobbled streets of the old city, the banking and business center, and the city's most fashionable and elegant shopping area.

Hotel NASSAUER HOF is set in Wiesbaden, an elegant spa and convention center where past and present mingle. The expansive avenues and sweeping architecture of the turn of the century combine with international flair and intimate charm. Convenient to Frankfurt and its airport, the city is also close to tourist attractions such as Ruedesheim am Rhein.

Baden-Baden is a spa center with international flair on the fringes of the Black Forest. Its history and cultural tradition are reflected in the visitor's book at BRENNERS' Park Hotel, which glitters with names like Victoria of Sweden, Carl Sternheim and Beniamino Gigli. Here, luxury is an organic element in the great tradition of the house.

Stay in any of these hotels, and you'll always want to return, because luxury, tradition and modern management have brought them together—for you, and your success. □

hüls

HUELS AG, one of the largest chemical companies in the Federal Republic of Germany, is a major manufacturer of basic chemicals, organic chemicals, thermoplastics, elastomers and raw materials for surface coatings. Huels' broad diversification, high standards of quality, and intensive research and development have yielded new markets for a growing range of special products for high performance applications.

In 1987, Huels AG had 15,500 employees and sales of 4.5 billion DM. In 1988, including the acquisition of the Chemical and Plastics Division of Dynamit Nobel AG late in 1987, sales are expected to be 8 billion DM. The products are exported to 110 countries, through a worldwide sales network. Exports account for 49.7%.

Huels AG is a 100% owned subsidiary of VEBA AG, one of the leading companies in the Federal Republic of Germany. VEBA activities span electricity, trading, oil exploration and refineries. The chemical activities of VEBA AG are concentrated in Huels.

In 1985, Huels acquired Nuodex Inc. of Piscataway, NJ. Nuodex produces colorants, coatings raw materials, additives, synthetic lubricants, plastics additives and rigid vinyl film. In doing so, Huels was pursuing its strategic objective of product and geographical diversification into high added value products sold to broad-based industrialized markets.

The second phase of this growth objective as accomplished in late 1987 by the acquisition of Dynamit Nobel of America (DNA), a subsidiary of Dynamit Nobel AG. DNA produced specialty chemicals, silanes and silicones, and a broad line of calendered and extruded plastics.

Subsequently, in March 1988, both Nuodex and DNA were integrated into Huels America Inc. Collectively, the Huels America group employs more than 1,300 people at 14 plants throughout the U.S. and Canada. The company's annual revenues are in excess of $400 million. □

INA

INA BEARING COMPANY, INC. is part of a worldwide organization known for the quality and advanced technology of its needle roller and other anti-friction bearings.

From its small beginnings in 1946, the company has grown rapidly by pioneering scores of new products. INA Needle Roller Bearings have provided designers in many industries, particularly the automotive and machine tool industries, with a solution to their problems.

Over the years, the original range of INA Needle Bearings has been extended to encompass a much wider variety of rolling bearings. These include bearings for both light and heavy duty applications, as well as bearings for rotary and linear motion.

Today, more than 14,000 INA employees throughout the world produce over 10,000 different types of rolling bearings, of which a high number are made to customers' individual requirements. Specifically, our product line includes a large variety of unit cages, shell bearings, needle roller bearings—radial and thrust, cylindrical roller bearing—radial and thrust, combination bearings, precision ground bearings, ball bearings, linear motion bearings and slewing rings.

INA Rolling Bearings are manufactured in 23 plants worldwide. A network of 20 INA companies and 28 agencies provide reliable service and excellent communication with our customers.

All worldwide market research, together with production and application experience, is collated at the parent company in Herzogenaurach near Nuremberg. Thus, a continuous interchange results between the various INA locations and ensures that the latest technology is shared worldwide. This is reflected in the advanced state of the art of all INA products.

In the United States, INA Bearing Company, Inc. was incorporated in September 1969. Today, INA operates four manufacturing plants in South Carolina. Corporate Offices are located just outside Charlotte, North Carolina, in Fort Mill, South Carolina. INA is the second largest needle bearing manufacturer in the United States. □

JAUCH & HÜBENER
INSURANCE BROKERS

JAUCH & HUEBENER, founded in 1919 in Hamburg, today ranks among the leading insurance brokers in Europe. The privately held partnership has more than 800 employees in Germany, Austria and Switzerland.

Apart from the employees of the international departments in Hamburg, Muelheim and Frankfurt, Jauch & Huebener has German representatives in New York, Singapore, Sao Paulo and Caracas.

The international departments are staffed with specially trained employees. all of whom have gained experience overseas.

Jauch & Huebener is a member of UNISON, a worldwide network of independent insurance brokers. In the United States Jauch & Huebener with its representative works through Johnson & Higgins, one of the largest insurance brokers, with 50 offices throughout this country.

Johnson & Higgins has established a team within the New York office focussing on the specialized requirements of German investors throughout the United States. Today Johnson & Higgins together with Jauch & Huebener services in excess of 100 German subsidiaries in the United States.

Jauch & Huebener's representative in New York, Mr. Klaus Borchert, complements the activities of this team and can be reached at:

Johnson & Higgins
125 Broad Street
New York, NY 10004
Tel. No.: (212) 574-7000
Telex: 6720134 □

KEMPINSKI
HOTELS

In response to rising international demand for Grand Hotels in the great European tradition, five new KEMPINSKIs have opened in key cities on three continents—the start of a global expansion program that envisages Kempinski Hotels throughout the world.

The new members of the Kempinski family (in Buenos Aires, Chicago, Dallas, Geneva and Toronto) now cater to a clientele which treasures the classic flair and gracious Old World hospitality of the four great Kempinski Hotels in Germany. And which welcomes having the charm of bygone days linked with contemporary comforts and amenities in prime locations.

In the heart of the Argentine capital, life *à la Kempinski* now awaits the traveler at the *Hotel Libertador Kempinski Buenos Aires*.

Bordering the exclusive *Gold Coast* on Lake Michigan, the *Hotel 21 East Kempinski Chicago* welcomes discerning guests.

At the *Grand Kempinski Dallas*, travelers to the commercial capital of the American Southwest find a home away from home combining continental luxury and lifestyle.

Epitomizing *Geneva's* sophisticated international panache, the *Hôtel du Rhône* enjoys a premiere location at the very heart of this canton capital's business and banking district.

Meticulous attention to detail and consummate European style distinguish the *Sutton Place Hotel Kempinski Toronto*, prominently situated in the downtown center.

Long popular with American tourists and business people alike is *Munich's Vier Jahreszeiten Hotel*. Staying here, right in the heart of King Ludwig II's domain between the Hofbraeuhaus and the Residenz is an American dream.

In *Berlin*, Germany's leading cultural center, the prestige address is the *Bristol Hotel Kempinski* on the Kurfuerstendamm, the city's showpiece boulevard—long the No. 1 choice of show-biz celebrities and political dignitaries from the U.S.A.

Hamburg's Atlantic Hotel Kempinski debuted in 1909 for passengers of the great transatlantic luxury liners. Now travelers from the States are rediscovering Hamburg—as the modern-day continental capital of opera and ballet, as well as the gateway to Scandinavia.

The *Hotel Gravenbruch Kempinski Frankfurt* is the one with the oldest heritage. A one-time manor house, Gravenbruch was first mentioned in official records of 1486—six years before Columbus discovered America. Only minutes from Frankfurt Airport and with easy access to *Romantic Germany's* top tourist attractions, this historic Kempinski has preserved the casual, relaxed atmosphere of a fine old country estate.

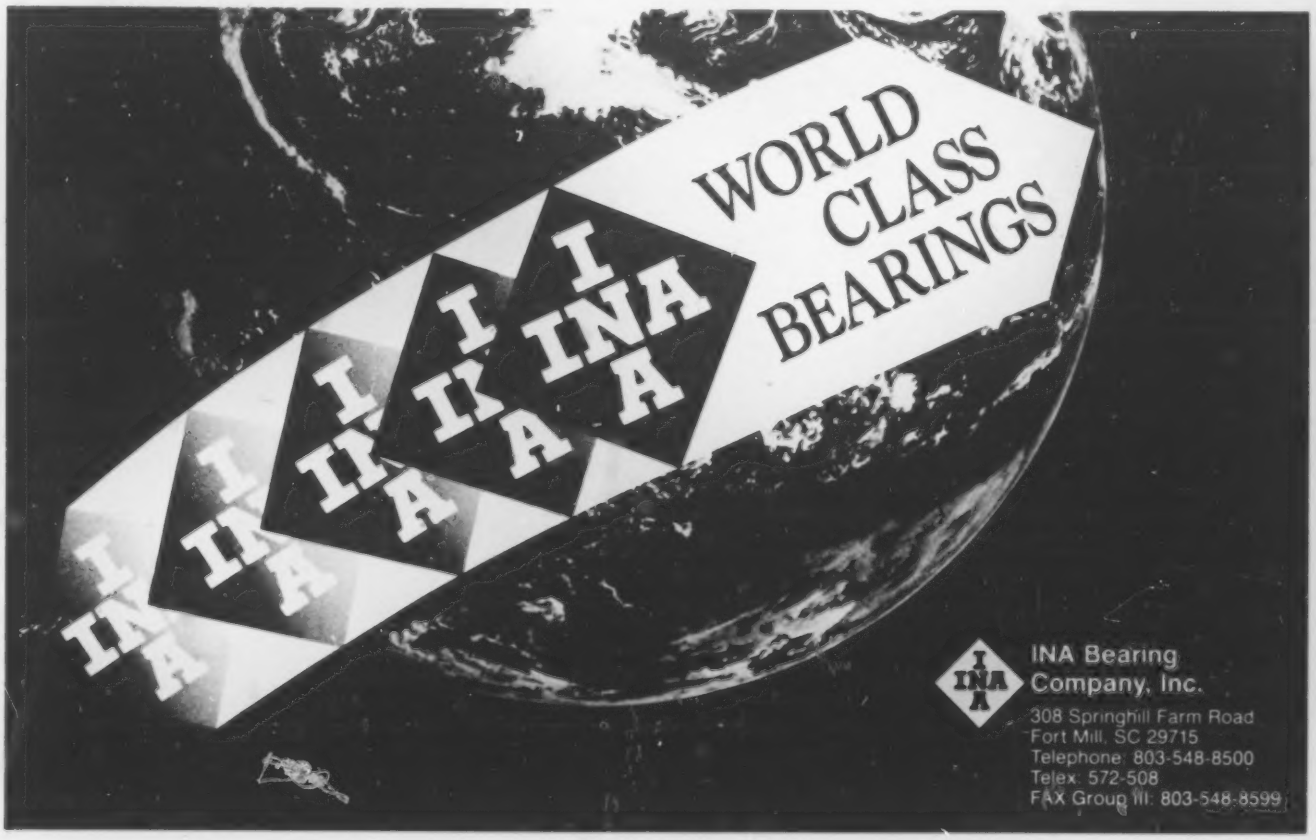
Added convenience: as Lufthansa-affiliates, all Kempinski Hotels can be booked together with the flight at any Lufthansa German Airlines reservation point. Or through Kempinski's New York office at 1640 Hempstead Turnpike, East Meadow, NY 11554 (Tel.: 516-794-2670/2671 or (800)426-3135 toll free).

Welcome to Kempinski. □

KRUPP

Renowned worldwide for excellence in many spheres of industrial activity, the FRIED. KRUPP GmbH group of companies belongs to the 15 largest industrial concerns in the Federal Republic of Germany. As a German pioneer in American growth since 1948, Krupp has a longstanding commitment to serving the U.S. market.

Krupp operates many subsidiary companies in the USA:



- Krupp Industries, Inc., headquartered in Pittsburgh, Pennsylvania, has offices in Baltimore, Maryland, Denver, Colorado, and Houston, Pennsylvania which offer a wide range of plant and equipment including: metallurgical plant, rolling mills, mobile cranes and drilling, mining equipment, material handling systems, crushers, and mechanical parking systems.
- Krupp Atlas Elektronik (KAE) Division, located in Clark, New Jersey, serves the marine market with radar and collision avoidance systems, shiphandling simulators and echosounders. The KAE Division also offers highly specialized hydrographic survey and research systems and advanced electronics for the fishing industry.
- Krupp Machinery Corporation, located in Edison, New Jersey, offers advanced extrusion blow molding plastic machinery. In addition, its Rubber Division, located in Kent, Ohio, supplies state-of-the-art rubber and tire machinery. Another division, Krupp Corporplast Service Agency USA, located in Alexandria, Virginia, offers advanced stretch blow molding plastics machinery for PET containers.
- Polysius Corporation of Atlanta, Georgia offers the latest technology available to the cement and mining industries in the North American Market.
- Krupp Wilputte Corporation, located in Murray Hill, New Jersey, has a wealth of experience in the design and construction of coke-oven plants, high-temperature hot blast stoves, sinter plant, coal by-product and gas treatment facilities, auxiliary machinery, gasification plant for solid and liquid fuels, and pollution control equipment.
- Krupp MaK Diesel Inc., located in Glenview, Illinois, markets the product lines of Krupp MaK, Kiel, West Germany: mainly marine diesel engines and diesel generating sets.
- Werner & Pfleiderer Corporation, located in Ramsey, New Jersey, offers the American market machines, systems and complete plants for:

  Plastics technology
  - —for the continuous production, compounding and pelletizing of all thermoplastic and thermosetting materials.
  - —Rubber mixing and processing technology
  - —for continuous and discontinuous mixing and kneading processes and the production of moldings.

  Food extrusion
  - —for the production of snacks, cereals, licorice and fruit gums.
- Krupp Widia Corporation, located in Deerfield, Illinois, markets Widia tungsten carbide inserts and tool holders for metal cutting applications. In addition, it's Urbana, Ohio subsidiary, Ultra-Met, manufactures a complete line of tungsten carbide blankes which are marketed to fabricators. Another subsidiary, Dentex Research Development Corporation, New York, with its Division Neoloy Products, Inc., Posen, Illinois, makes dental products under the umbrella of Krupp Medizintechnik, Essen, West Germany.
- Krupp Steel Products, Inc., located in White Plains, New York, with branch in Houston, offers a complete range of carbon, alloy and stainless steel sheets, plates and sections. Forgings are offered in close die and open die to various US industries.

Together these operating companies in the United States have full access to all products and services provided by Fried. Krupp GmbH, and more than 100 subsidiaries worldwide, plus the advantages of local product specialists, service and part technicians, and experienced project management personnel. □

Landesgirokasse

While the history of LANDESGIROKASSE dates back to the beginning of the 19th century, its present status is the result of the merger between the former Wuerttembergische Landessparkasse and the Girokasse Stuttgart in 1975. Today Landesgirokasse is equally owned by the Federal State of Baden-Wuerttemberg and the City of Stuttgart. With total assets amounting to DM 19 billion, its activities include the full range of commercial banking services. Covering the highly export intensive area of southwest Germany, particular emphasis is placed on the promotion and assistance of export-related banking and financial services: export finance, foreign payment services, documentary transactions, bonds and guarantees, as well as foreign exchange trading and hedging. A global network of correspondent banks assists us in the execution of tailor-made international banking services for our many corporate clients.

In addition to catering to the banking requirements of our indigenous customers in Baden-Wuerttemberg, we make available special facilities for those international corporations that are already operating or intend to invest in the southwest region of the Federal Republic of Germany.

With the objective to focus even more closely on the necessities of our customers we opened a representative office in New York in the General Motors Building in Fall 1987.

We would be pleased to provide more information:

Landesgirokasse
P.O. Box 106023
D-7000 Stuttgart 1
Fed. Rep. Germany
Telephone: (0) 711 124-ext. 2313 or 2261
In U.S.A.:
Landesgirokasse (L.G. Bank)
767 Fifth Avenue
New York, N.Y. 10153
Telephone: (212) 888-1221 □

Leitner

LEITNER designs and manufactures display systems for exhibitions, merchandising and interior decorating applications with true architectural principles to guide the design stages. These principles are reflected in the function of all Leitner Exhibit Systems.

This outstanding dedication to principle produces a simple design concept with emphasis on the essential element. From the most extensive structure to the most discrete filigree shelving incorporates this philosophy.

Leitner Exhibit Systems are capable of fading into the background or forming a dynamic focus by themselves.

The bottom line is a perfectly tailored, flexible solution that is aesthetic, functional and effective in communicating the image suited to your company identity.

Leitner in the U.S.A. is located in Chicago, IL and universally in over 15 countries.

Leitner USA, Inc.
Exhibit Systems
455 East Illinois St.
Suite 561
Chicago, IL 60611
Leitner GmbH
Exhibit Systems
Duesseldorfer Strasser 14
D-7050 Waiblingen □

LEYBOLD

LEYBOLD AG has been successfully meeting, for many years, the exacting technological challenges of the North American market. Vacuum technology and its process appplications today are base technologies indispensable for research, development and production in all fully industrialized countries. Neither microchips nor modern data storage media nor high-grade materials for space travel would have been possible without vacuum processes.

Along with the worldwide penetration of vacuum technology and process engineering, the commitments of Leybold have expanded all over the world. Originating from the two companies W.C. Heraeus, Hanau, and E. Leybold, Cologne, founded in 1850 and 1851 respectively, Leybold today is owned by Degussa AG in Frankfurt/Main, Federal Republic of Germany. Sales have been increasing over the last ten years at an average annual rate of 11%, more than DM 1.1 billion, of which, recently, about 25% has been in the US-market.

A few examples may illustrate the wide range and depth of involvement of applied vacuum technologies:

—Materials for microelectronics components and their functional film

—Magnetic layers for data storage media

—Optical thin films for spectacle lenses, photolenses and space telescopes

—Infrared or ultraviolet analysis of gases up to systems for displaying traces on transparent materials (dactyloscopy)

—Ultracleaning of reactive and refractory metals, such as titanium, zirconium and their alloys

—Deposition of anticorrosive protective layers on components exposed to high thermal stress

—Vacuum generation systems for preservation of foods up to gas supply systems for carbon dioxide lasers

The activities of Leybold corporate group, today including 20 subsidiaries, span the globe. The U.S.A. occupies an exceptional position as a market of undeniably greatest technological importance in the world. Here the growth rate for Leybold products is higher than the world average. Today already 50% of LH products sold in the U.S.A. are produced inside the country.

By the end of 1984, a new Leybold sales and service organization for the U.S.A., Leybold Inc., 1860 Hartog Drive, San Jose, CA 95131, started operations from its California headquarters. The activities of Leybold Inc. include marketing of the products of the four Leybold U.S. subsidiaries:

Leybold Vacuum Products Inc., 5700 Mellon Road, Export, PA 15632: Vacuum pumps, pumping systems, vacuum accessories and surface analysis equipment.

Leybold Inficon Inc., 6500 Fly Road, East Syracuse, N.Y. 13057: Residual gas analyzers, pressure converters, mass spectrometer systems, helium leak detectors, vacuum gauges, vacuum deposition and thin film controllers.

Leybold Technologies Inc., 120 Post Road, Enfield, CT 06082: Crystal growers and productions sputtering systems, vacuum metallurgy, electro-optical coating systems.

Leybold Vacuum Systems Inc., 120 Post Road, Enfield, CT 06082: EB welding systems and technology.

In view of the importance alone of the semiconductor industry, we have set up a Leybold branch establishment on the West Coast in San Jose, CA. □

Lufthansa

Passenger and cargo traffic for LUFTHANSA GERMAN AIRLINES continued to show growth in the first ten months of 1988. The airline's passenger traffic in the January-October period showed an 11.7 percent increase while cargo was up more than 14 percent.

The German airline posted a 53.4 percent increase in group net income in 1987, and Chairman Heinz Ruhnau is anticipating a further increase in revenue and profits this year. Group net profit for 1987 was $53.53 million, while the airline itself achieved a profit of $51.59 million, a 34.4 percent increase over 1986.

Despite adverse currency movements and stronger international competition, Lufthansa improved its performance with operating results up close to 50 percent to $125 million. Group results were depressed by the sharp fall in the U.S. dollar rate in the final quarter of 1987. Altogether currency fluctuations trimmed about $72 million from the year's earnings.

During 1987 Lufthansa appreciably improved its financial structure by raising capital stock. The increase added 498 million Deutsch marks to the equity base so that at year's end, net borrowings of the group and Lufthansa AG were below cash flow for the year.

In underlining the company's planned growth for 1988 and beyond, Chairman Ruhnau said that the Far East will remain the number one growth market. On July 1, Lufthansa began its first nonstop flights to Tokyo from Frankfurt, cutting five hours from the flying time. Next year, the airline plans to operate six nonstops weekly to Tokyo and will drop stopovers in Anchorage, Alaska from its schedule.

In March, Lufthansa ordered 20 Boeing 737-300 aircraft and took options on an additional 20 of both the 300 and 500 models. The order and options for the short-range 737s are valued at more than one billion dollars. Lufthansa, which finances 70 percent of its capital investments out of cash reserves, will add seven new aircraft to its fleet this year bringing the total to 132, while the group's fleet, which includes Condor and German Cargo Services will grow to 157.

Additionally, Lufthansa placed an order for four more Airbus Industrie aircrafts—three A310-300s and one A300-600. The four are scheduled to be delivered between November 1989 and February 1990. The order involves a total investment volume of about $270 million. Lufthansa placed its initial order for 25 Airbus A310s or A300s in 1979, and optioned an additional 25. The new purchase agreement increases the ordered aircraft to 28.

The Lufthansa chief executive said the major problem in Europe this year is the capacity shortfall at airports in air space and in air traffic control. Ruhnau said urgent action is needed to create adequate airport capacities, expand air traffic control, restructure air space and revive the Eurocontrol concept.

Looking to 1992 and the approach of a single internal market in the European Community, Ruhnau emphasized once again that Lufthansa intends to operate as a European airline with a German touch. □

MAN GHH CORPORATION is the US subsidiary of MAN GUTEHOFFNUNGSHUETTE GMBH, Oberhausen, Federal Republic of Germany, and represents the interests of several companies of the MAN group in the US.

- *Industrial Plant Engineering*

Plant Design and Equipment Engineering for the Iron and Steel Industry and Non-Ferrous Metal Production; Coal Preparation Plants; Hazardous-Waste Incineration Plants, Heat-Recovery Systems, Coal Gasification; Special Steel Structures.

- *Transportation Technology*

Vertical and Horizontal Haulage Systems for Underground Mines; Open Pit Mining Equipment; Material Handling Equipment for Containers, General Cargo and Bulk Material; In-Plant Mechanical Handling Facilities; Cranes.

Special Rubber Tire Vehicles for Mine and Industrial Transportation Systems.

Wheel Sets for Railroad Applications.

- *Compressors and Turbomachinery*

Turbocompressors, up to the highest capacities, for the process and petrochemical industry, for steel plants and other applications. Process Gas Expanders; Gas Compressor Stations; Screw Type Compressors for air and for process gases.

- *Energy Technology*

Fossil Fired Thermal Plants for Base Load and Cycling Duties; Stream Turbine Generators, 100 to 900 MW; Cogeneration; Systems for Environmental Protection.

Components for Nuclear Power Stations, In-Service Inspection Service.

- *Industrial Services*

Total Project Contracting for Plants, Buildings, Steel Structures, Erections; Maintenance Service for Refineries and Petrochemical Plants.

Floating Dry Docks and other Marine Structures.

MAN B&W DIESEL is the world's largest supplier of Diesel Engines, with its principal offices in Augsburg (Germany) and Copenhagen (Denmark) and Licensees the world over.

MAN B&W DIESEL Supplies Ship-Propulsion Systems, with Slow Speed Engines (up to 65,000 HP) or Medium Speed Plants (up to 20,000 HP) plus Auxiliary Engines and Gen Sets; Complete Propulsion Systems with C/P Propellers. For Stationary Applications and Power Plants, MAN B&W DIESEL offers a full power range, for heavy fuel, dual fuel, and gas applications; Total Plant Engineering, incl. Cogeneration.

A network of After-Sales Service Stations is available world-wide.

MAN Technologie GmbH is the center of the MAN group's research and development activities. Projects encompass the fields of energy, space technology, transportation and environmental protection.

MAN GHH CORPORATION is headquartered at 50 Broadway, New York, NY 10004 (Tel. (212) 509-4545), with a branch office in Pittsburgh, PA 15237 (Pittsburgh Office & Research Park, 5700 Corporate Drive, Suite 430, Tel. (412) 364-3700) □

With a workforce of 40,000 employees and 21 plants spread over the Federal Republic of Germany, MBB develops and builds high-technology products. Annual turnover amounts to DM 6.7 billion. The MBB programs encompass commercial and military aircraft, helicopters, defense systems, manned and unmanned space systems, marine technology, and new industrial products derived from aerospace technology.

In the aircraft industry, MBB reaches into the commercial field with the Airbus in its many versions, including the new A330 and

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6277 Bad Camberg / Ts.
Limburger Strasse 39
Telefon: 06434-1545

5300 Bonn 1
Bundeskanzlerplatz 2-10 / XI
Telefon: 0228-229834
Telex: 886854
Telefax: 0228-215445

6000 Frankfurt / M.
An der Hauptwache 3
Telefon: 069-288662

4000 Düsseldorf
Weizenmühlenstrasse 11
Telefon: 0211-397732

A340 which will be in service in the early 90's; for transport, there is the Transall C-160; for the military, there is the Tornado and the Fantrainer; its helicopters include both multi-purpose and military ones, such as the anti-tank model.

In defense systems, MBB develops and builds guided anti-tank weapon systems, dispenser systems and submunitions, anti-ship stand-off weapon systems, mines, air defense systems, drones, electronic systems, mine warfare vessels and hunters, and Laser systems.

In space systems, MBB is involved in satellites such as: INTELSAT V & VI, ECS, METEOSAT, EXOSAT and others; as well as in telecommunications systems and the ARIANE rocket launcher. Also to be included are ground stations and the orbital systems: SPACELAB, SPAS, EURECA, and COLUMBUS.

MBB's technology for energy and processing include work in wind energy converters, photovoltaics or thin film technology, vacuum superinsolation and hydrogen technology.

Besides extensive development and production of defense systems, MBB works on industrial products: rail vehicles and train systems; medical lasers, data acquisition and control systems; and technology for electronics, automation and fiber composition.

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Telex 023 64 476 tobm uw
Telefax (703) 5 25 77 99

MBB Helicopter Corp.
P.O. Box 2349
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Messerschmitt-Boelkow-Blohm GmbH
P.O. Box 80 11 09
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Federal Republic of Germany
Tel (089) 6000-0
Telex 5 287-0 mbb d
Telefax (089) 6000-6481 □

Melitta®

The MELITTA Group, as we know it today, owes its origins to the inspired invention of a housewife in the city of Dresden, Germany. In 1908, Frau Melitta Bentz was granted a patent for a new method of brewing fresh coffee using paper filters. Frau Bentz and her husband, Hugo, set up a small family business to manufacture the original "Melitta" filter papers. The business expanded rapidly, particularly after the First World War. 1925 saw the appearance of the first pack with the red and green colors that have remained the unmistakable hallmark of Melitta. In the following years, the design of the Melitta filter was progressively improved and refined. The Melitta coffee filter, as we know it today, was developed and patented in 1936.

Melitta's business activities in North America are concentrated on products for the discerning coffee drinker. The range of products marketed under the "Coffee Perfection" slogan enjoy a high reputation for quality among North American consumers. The consumer product line includes a full range of household coffeemakers, automatic drip and non-electric, coffee filters, extra-premium coffees and accessories.

Marketing a complete range of coffee-related products, Melitta projects a strong claim to expertise in the field of coffee and coffeemaking. Sales and marketing activities are carried out with the aim of reinforcing this claim.

Melitta has recently launched the Melitta Foodservice Division to provide a full range of coffeemakers, coffee filters and premium coffees for institutional, restaurant and office service needs.

Melitta coffee for all of North America, foodservice and retail, is roasted and packaged at the company's headquarters in Cherry Hill, New Jersey. Filter production is concentrated at the company's Toronto location.

Melitta's Region North America companies are subsidiaries of Melitta International, based in Minden, West Germany. Worldwide, the company manufactures and markets a wide variety of consumer products in 104 countries. □

DAIMLER-BENZ, the world's oldest automaker and West Germany's largest industrial company, has just entered its second century of doing business in the United States.

Gottlieb Daimler, who developed the first compact, high-speed engine, and William Steinway, the American piano manufacturer, signed a licensing agreement to produce Daimler products in the United States on October 6, 1888. Their agreement, concluded eight years before Henry Ford's Quadricycle was born, included a license to build engines, light trucks and passenger cars. This act essentially founded the automobile industry in the United States.

The Steinway organization initially contracted with a machine shop in Hartford, Conn., to build gasoline engines. At first the emphasis was on producing marine engines. However, the company assembled Mercedes automobiles in Long Island City, N.Y., from 1905 to 1907.

From these beginnings the Stuttgart-based firm has broadened its American horizons to include three major subsidiaries:

—Mercedes-Benz of North America, distributor of Mercedes-Benz cars and industrial engines, with headquarters in Montvale, N.J.

—Freightliner Corporation, manufacturer and marketer of heavy-duty (Freightliner) and medium-duty (Mercedes-Benz) trucks, with headquarters in Portland, Ore.

—Mercedes-Benz Credit Corporation, with headquarters in Norwalk, Conn., serving Mercedes-Benz and Freightliner dealers with a wide array of financial services.

In addition, recently acquired Daimler-Benz subsidiaries AEG, Dornier and MTU have sales activities in the United States.

MBNA's 432 sales and service dealers sell about one-sixth of the Daimler-Benz annual production of passenger cars, making it the parent company's largest sales subsidiary.

MBNA dealers sold approximately 83,000 cars in 1988, and expect to sell about the same number in 1989. A full range of Mercedes models is offered in the United States, from the 190 sport sedans to the limited-edition 560SEC coupe. The range offers U.S. customers a wide choice of body sizes and engine combinations. Over the years, the three-pointed star has enjoyed increased popularity, and there are now more than one million Mercedes-Benz cars registered in the United States.

MBNA employs more than 1,700 persons, and Mercedes-Benz dealers have an additional 17,000 employees. The company has seven zone offices—in Montvale, Baltimore, Jacksonville, Houston, Chicago, Los Angeles and San Francisco—to provide the dealer organization with sales and service support.

In addition, MBNA operates five training centers, in Montvale, Jacksonville, Chicago, San Francisco and a new facility in Oxnard, Calif., to keep dealership technicians up to date on the various technical advances in the company's product line.

MBNA also has six parts distribution centers located near centers of ownership and transportation hubs. They are in Somerset, N.J.; Baltimore, Md.; Jacksonville, Fla.; Ft. Worth, Tex.; Carol Stream, Ill., and La Mirada, Calif.

Mercedes-Benz passenger cars are shipped from Germany to the ports of Baltimore, Jacksonville, Houston, Los Angeles and San Francisco, where each is inspected at a vehicle preparation center.

To make sure cars continue to meet federal and state emission standards, the company also operates emission laboratories in Ann Arbor, Mich., Denver and Los Angeles, as part of its research and testing operations.

In addition, Mercedes-Benz industrial engines are sold to manufacturers of electric generators, boats, agricultural equipment, earth movers and other applications requiring mobile power units.

MBNA, Freightliner, Mercedes-Benz Credit and Mercedes-Benz Canada, are part of the Daimler-Benz of North America Holding Company. In 1988 these firms employed more than 7,500 persons, about 2.3 percent of the approximately 326,000 persons employed by Daimler-Benz in the 170 countries in which the company conducts its business. □

The METALLGESELLSCHAFT AG was incorporated in 1881 as a joint-stock company to carry on a longstanding Frankfurt metal trading business. In the course of over a century which has passed since then, Metallgesellschaft has continuously expanded its activities by establishing new or acquiring existing plants and by merger with or participation in other companies. Today, the group of companies thus formed presents itself as a widely diversified organization active in the fields of basic materials trading and manufacture, production of speciality chemicals as well as engineering and contracting.

With a worldwide turnover of DM 13.3 billion, Metallgesellschaft is one of the largest corporations of the Federal Republic of Germany. The MG Group, with almost 24,500 employees worldwide, engages in the exploitation and beneficiation of ores and industrial minerals for supply to its own smelters or chemical plants. Part of the metals produced, including those from the processing of industrial residues, as well as metals from other sources are converted into semi-finished and finished products in works of the Group.

Metallic components of ores and their sulphur content form a basis for the production of chemicals, especially sulphuric acid, sulphur dioxide, white pigments, fillers, barium, caesium, lithium and sodium compounds.

The trade in raw materials which was originally restricted to metals and ores, now also extends to other commodities: sulphur, phosphates, fluorspar, methanol, alumina, rubber, iron ore, manganese ore, molybdenum, ferroalloys, coal, crude oil and mineral oil products.

MG Services Company based in New York, specialists in counter trade services, serve a wide variety of corporate and government clients.

The tasks connected with production, distribution and trading made it advisable to provide integrated transport and insurance services. The financial transactions of MG performed on an international scale are entrusted to its own bank.

The technological know-how, especially in the fields of ore preparation and smelting, chemical production, petroleum processing, upgrading of solid fuels, and environmental control is offered on a worldwide basis by the Group's engineering company, Lurgi GmbH.

This extensive diversification is reflected by

the grouping into 12 different Operating Divisions, which are largely independent and responsible for current business. These Operating Divisions are grouped in 3 Corporate Divisions. □

JPMorgan

J.P. MORGAN provides sophisticated financial services to institutional and individual clients worldwide. Through its subsidiaries, the firm offers financial advisory services, underwrites and trades securities in international and domestic capital markets, conducts commercial and private banking business, and manages billions of dollars in pension and other investment funds. Morgan has established positions of leadership in many markets, including foreign exchange, the euro-markets, and investment management.

Over the last several years, Morgan's sources of revenue have become much more diversified. The firm earns more than half its income from noninterest sources, such as trading and corporate finance fees, and ranks among the leading investment and commercial banks when measured by this source of revenue.

The ability to commit capital has become increasingly important in global finance, and J.P. Morgan's financial strength is unequaled in the United States, allowing the firm to take a lead role in numerous sizeable corporate finance transactions for its clients. The firm's capital is used in a variety of ways to meet client needs, from lending activities to equity participations.

Morgan serves the needs of its German clients in all of the world's major financial centers, particularly in New York, Frankfurt, and London, where teams of professionals are assigned exclusively to German clients. In Germany, J.P. Morgan is represented through its Frankfurt branch office and its affiliate, Morgan Guaranty GmbH, which is active in the underwriting, dealing and distribution of DM securities. □

MESSE MUNCHEN INTERNATIONAL

THE MUNICH TRADE FAIR CENTER has become the market place for international business as a result of a long-term approach and systematic work of MUNICH TRADE FAIR CORPORATION. Since it was founded in 1964, the corporation has had the clear cut aim of bringing together suppliers and potential customers using the principle of thematic concentration, with precisely defined product groups and accurately defined target groups. The three main types of fairs are those centered on construction, high-tech, and consumer goods.

International Construction Trade Fairs.

- The world's largest trade fair for construction, equipment and building material machines is BAUMA, bringing together some 180,000 trade visitors from 100 countries together with 1,330 exhibiting firms.
- For building materials and buildings systems, the trade fair is BAU; together with THE INTERNATIONAL LIGHT INDUSTRIES AND HANDICRAFTS FAIR, which caters to small and medium sized firms, it brings together suppliers and potential customers in this segment.
- IFAT, the fair for waste disposal, includes the construction related fields of sewage, refuse, and recycling.

World Centre for High-tech Trade Fairs.

- ELECTRONICA covers the electronic components and their assemblies.
- PRODUCTRONICA deals with electronics production.

Melitta®

COFFEE PERFECTION™

At Melitta, coffee perfection means a dedication to excellence in all facets of coffeemaking...that's why we say "to coffee lovers Melitta means everything!"

- AUTOMATIC COFFEEMAKERS
- EXTRA PREMIUM COFFEES
- GOURMET COFFEEMAKERS
- COFFEE FILTERS

For Retail and Foodservice Markets

Melitta USA Inc., 1401 Berlin Road, Cherry Hill, NJ 08003 (609) 428-7202

- SYSTEMS, the special event for office communications, concentrates on complete computer systems and particularly on their application and on software.
- SYSTEC is a highly successful new event with its theme being "computer integration in logistics, development, design, production and quality assurance," that is to say, the entire application of computers in all fields as well as increasingly important supraregional, integrated communications.
- LASER OPTO-ELECTRONICS MICROWAVES focuses on light as means of communication, as a tool in materials processing and for application in medicine and other fields.
- ANALYTICA is concerned with biological, biochemical and biotechnological themes and products.

High Quality Consumer Goods

- ISPO is the world's largest sports equipment fair and is held twice annually, spring and autumn.
- INHORGENTA is the most closely guarded trade fair of all, exhibiting precious metals, jewels, watches and clocks, as well as their manufacturing equipment.
- FASHION-START and MODE-WOCHE-MUENCHEN, four times a year, present the latest fashion collections.
- CARAVAN-BOOT-INTERNATIONAL TRAVEL MARKET brings together supply and demand in the leisure industry.
- IKOFA is the trade fair serving the food and drink industry.

In addition, the Munich trade fair management does not merely wait to be approached by its partners from over 100 countries, but crosses frontiers to meet them. For 40 years, the subsidiary IMAG has been known throughout the world as the organizer of German trade fair participation abroad.

For further information, please contact:

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Fax: (89) 51 07-506

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Ridgewood, New Jersey 07450
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NIXDORF COMPUTER

NIXDORF COMPUTER develops, manufactures, markets and supports computer systems and peripherals for data and information processing. The company is one of the leading suppliers of business oriented solutions in the international computer industry.

The Company's sales and service network covers 44 countries with emphasis on Western Europe and the USA. Nixdorf is also active in Australia, New Zealand, Japan, Hong Kong, Korea, Singapore, Sri Lanka, the Philippine Islands, Latin America and Africa.

Computer and peripheral systems are produced by Nixdorf on an international job sharing basis, where many of the plants provide individual components for use in further production. Factories in Germany are located in Paderborn, Berlin and Cologne. Outside Germany, production plants have been established in Ireland (Bray/Dublin), Spain (Toledo), America (North Reading, Mass.) and Singapore.

Nixdorf development activities are also based on international cooperation. Nixdorf's American development sector has been carefully built up in order to ensure direct access to the most significant technology market internationally.

Users of Nixdorf systems include both medium and large sized companies in the retail, banking, manufacturing, distribution, service and public administration industries. These customers are supported by a sales and service organization largely run by Nixdorf itself. In Germany and in some other countries, this network is supplemented by agents for the company.

In the U.S., Nixdorf is building new headquarters in Burlington, Massachusetts and has recently announced major contracts with the State of New Hampshire and Marshall Field & Co. In addition, Nixdorf has completed installation of equipment in more than 300 Montgomery Ward department stores.

Nixdorf employs approximately 29,400 personnel (December 1987). Most of the staff are involved in service functions such as consulting, administration, technical service and trading. These services are available to the user in all phases of computer implementation, offering well-informed market-oriented support.

The workstation-oriented design of the computer systems and the capacity for branch-related specialization in the sales and service organization are decisive factors in the Nixdorf solutions concept. And the success of this concept is reflected in the steadily increasing market shares in Germany and worldwide. □

OOCL

ORIENT OVERSEAS CONTAINER LINE is one of the largest container operators in the world providing customers with a global, fully integrated containerized transportation service encompassing nine principal trade areas, including North America, Europe, Australia, the Middle East and comprehensive coverage of the Far East.

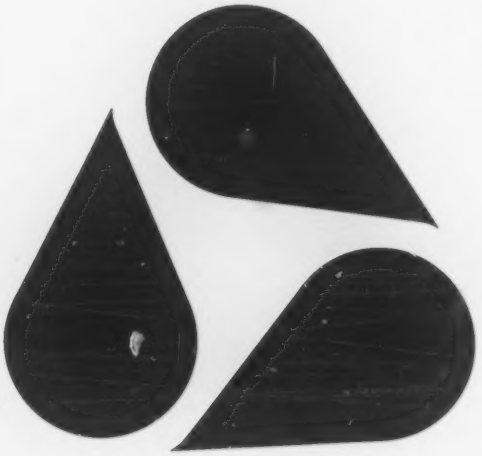
OOCL owns or operates container vessels, container terminals, containers and container chassis. In addition, the company has operations performing other functions vital to the provision of an integrated containerized transportation service, such as container service management, road haulage, intermodal services, agency freight forwarding and cargo consolidation. With an extensive computer network, OOCL provides customers with information from all OOCL offices and agencies worldwide. Through its system capability, OOCL offers electronic U.S. Customs clearance to customers at selected ports.

OOCL has under its operation 31 container vessels with aggregate capacity of 60,000 TEUs, deployed in 15 liner service routes calling at 104 ports in 55 countries. With 5,000 professional staff worldwide, OOCL services cover all continents.

OOCL's service between Europe and North America provides maximum coverage of transatlantic ports, a dependable schedule of sailings and complete integration with OOCL's Far East services. Connecting the U.K., European Continent and Mediterranean with North America are two weekly fixed day sailings: Europe East Coast Express and Europe St. Lawrence Express.

Beyond North America, OOCL's services include service between the Far East and Europe, the Middle East, and Australia, as well as Far East Interport services. While utilizing separate fleets, these distinct services provide a well coordinated network of integrated service enabling customers to deal with one carrier to satisfy all of their transportation needs. □

The symbol for tailor-made systems.



Wherever the volume or flow of liquid or gaseous substances are measured, channelled or controlled you'll find Bopp & Reuther. Our experts engineer, develop and manufacture entire systems for the industrial and public sectors.

We offer and supply individual components as well as complete systems and solutions for the energy, gas or water as well as liquid processing industry.
If you would like to find out more about our products and systems we will be happy to send you detailed information.
Write to:
Bopp & Reuther GmbH
Carl-Reuther-Str. 1,
Postfach 310140,
D-6800 Mannheim 31.

Bopp & Reuther

The competence of systematic solutions.

KPMG Peat Marwick

PEAT MARWICK, the U.S. member firm of Klynveld Peat Marwick Goerdeler (KPMG), delivers integrated accounting and auditing, tax, and management consulting services on the same scale throughout the world. As part of the leading international firm of accountants and consultants, serving clients through offices in 115 countries, Peat Marwick enjoys access to KPMG's unrivaled combination of national market strength and a cohesive and balanced multinational network. The reach and market share of the latter is second to none, encompassing 5,150 partners, and 40,500 professional staff in more than 650 cities worldwide. In the Federal Republic of Germany, Peat Marwick Treuhand GmbH and Deutsche Treuhand-Gesellschaft AG together have over 2,000 professionals and support staff.

Moreover, Peat Marwick combines functional expertise and geographic reach with the dexterity to address the needs of many industries. This is especially important as more European firms continue to establish plants and distribution centers stateside so as to take advantage of the robust U.S. economy—in particular the resurgence in selected areas of U.S. manufacturing. This development will take on a new dimension when the European Economic Community eliminates trade barriers among its member countries by the end of 1992.

In New York and other key U.S. locations, Peat Marwick retains professionals familiar with the needs of German companies. They have expertise in such diverse industries as chemicals, high technology, financial services, merchandising, and real estate. Moreover, the Firm devotes considerable resources to the special needs of Middle Market companies. Simultaneously, Peat Marwick professionals offer functional expertise in accounting and auditing, capital markets/mergers and acquisitions, expatriate tax planning, international tax planning, employee benefits, executive compensation, executive search, and information systems services.

For more information on how Peat Marwick can fulfill your professional services needs, contact management consulting partner H. Juergen Tschesnok at 345 Park Avenue, New York, NY 10154. Telephone: 212-872-5704. Mr. Tschesnok stands ready to put you in touch with the right industry and functional specialists. □

Price Waterhouse

PRICE WATERHOUSE is one of the world's leading professional service firms. Our professionals provide a wide range of innovative accounting and auditing, tax, management consulting, and specialized services to a diverse, worldwide clientele. Price Waterhouse member firms maintain almost 400 offices in 99 countries and territories, with total staff of 30,000 men and women. The U.S. firm has 100 offices with almost 800 partners and a total staff of about 12,000.

Our existing practice, which includes companies that vary in size from start-up ventures to giant multinationals, has earned for us a reputation as a leader in providing the highest quality services. This position is the culmination of decades of constructive and innovative service to our highly valued clients.

Price Waterhouse and Treuarbeit's range of services, depth of experience and diversity of clients allow us to provide superior and distinctive services to the German business community. A total staff of over 1,000 professionals, including 236 Wirtschaftsprufer, is

located in offices in Berlin, Bonn, Bremen, Dusseldorf, Essen, Frankfurt, Hamburg, Hanover, Kassel, Kiel, Munich, Saarbrucken, and Stuttgart.

Accounting and Auditing Services—Our auditing philosophy is to audit the business, not just the books. Our clients receive services tailored to their specific circumstances, based on a thorough understanding of the business and the environment in which they operate. We are constantly alert for opportunities for improvements in all aspects of the business. In fact, our recommendations often point the way to significant operating economies, in addition to helping protect assets and provide more meaningful information to management.

Tax Services—Almost every business decision has tax implications, and close attention to tax planning and compliance has become increasingly important for businesses and individuals. Price Waterhouse tax professionals work closely with management to help minimize taxes and cope with ever-expanding tax rules. We provide a full range of services, including tax planning and tax return preparation for expatriates and nonresident aliens as well as assistance with tax audits. In addition, we have sophisticated computer-based systems that calculate foreign source taxable income, foreign tax credits, earnings and profits, and earnings repatriations.

The constant change in rules and regulations for doing business at home or abroad makes it imperative that we help management respond to—and even anticipate—changes. Among other ways, we do this by preparing a series of guides that provide comprehensive information on accounting and tax regulations, investment climates, and other business issues in individual countries. Of special interest to German/U.S. businesses are many of our publications, including: *Doing Business in Germany, Doing Business in the United States, Investitionen in den U.S.A., German Employees Assigned to the U.S., U.S. Citizens Abroad, Foreign Nationals in the U.S., Doing Business in the European Communities, Investieren in U.S. Immobilien,* and *Getting Government Help.* There are also several bilingual guides for doing business in individual key states. These publications are available through our offices worldwide.

Management Consulting Service—Our worldwide complement of experienced consultants can provide practical advice on virtually all facets of business operations, including financial management, information processing, EDP and inventory control systems, office productivity, strategic planning, and comprehensive marketing services. Our management consultants help businesses define their goals and develop and implement the necessary strategies, organizational structures, and information systems. □

L. RETTENMAYER

L. RETTENMAYER is an international moving company offering its customers tailor-made solutions to their moving problems. Based on its present volume of business L. Rettenmayer, which owns four affiliate companies, is among the top moving firms in Germany.

L. Rettenmayer looks back on a particularly long record of experience, having been founded in 1842. But, it remains committed to progress—it was L. Rettenmayer which carried out the first overseas transport in a container.

L. Rettenmayer has specialists with the most modern solution for each move and the most secure routing, thanks to its long experience.

And, moving consultation by L.R. is tailor-made. Recommendations and suggestions are made on an individual and thorough basis.

L.R.'s complete service is on the highest technical level. Packing and loading are carried out according to the demands of each individual household item. Formalities are taken care of at all levels. In the commercial field, particular customers are offered the red carpet service.

Employees of L.R. are dependable professionals, well-trained, with extensive experience. A proven and steady team at your service.

L. Rettenmayer has choice connections worldwide. The company is a member of international trade organizations such as FIDI and OMNI and of American organizations like NMSA and HHGFAA. Also, L. Rettenmayer acts in Germany for major American van lines—United, North American and Atlas—in the commercial field.

Along with the moving branch, the L.R. group offers its special transport services for art, antiques and high tech. The warehouses are large and modernly organized.

L.R.'s locations are in Germany's major centers of politics and commerce. In Wiesbaden, the heart of the Rhein-Main region; in Frankfurt, the financial and economic center of Germany; in Duesseldorf, the metropolis of the Ruhr region; and in Bonn, the capital of Germany where national and international politics meet.

L. Rettenmayer is a family company, modern and large enough to satisfy the requirements of the most demanding customer. We know what it means when we promise: "We serve!"

That's the reason for company's success over the past 150 years. Rettenmayer can indeed be proud of itself. □

Rodenstock

The RODENSTOCK GROUP, with headquarters in Munich, is one of the world leaders in ophthalmic optics. The family-owned company entered its second century of operations in 1977 under the management of Professor Dr. Rodenstock, until recently the president of the Federation of German Industries (BDI).

In addition to six plants and eleven branches in Germany with over 6,000 employees, there are four German and seventeen foreign subsidiaries with several manufacturing facilities.

Rodenstock products cover a wide range: ophthalmic lenses, a comprehensive line of plastic and metal frames and sunglasses, precision optics for commercial, industrial and scientific applications including photographic, enlarging, reproduction and X-ray objectives as well as a complete line of ophthalmological refracting, diagnostic and therapeutic instruments and automatic processing equipment for opticians.

In the United States the Group maintains the following operations:

Rodenstock USA, Inc., Danbury, CT

Rodenstock Corporation, Yauco, PR

Rodenstock Precision Optics, Morton Grove, IL

Felix Mendelson Co., Los Angeles, CA

In addition, the WECO instrument line is represented in the United States by Coburn Optical Industries.

Steady growth and expansion continue to mark Rodenstock's active engagement in the United States. □

sto

The STO group of companies is the System's Technology Organization of wall systems for the construction industry.

STO traces its history back to 1836 and a small cement and lime company in West Germany's Black Forest. In 1954, under the direction of Wilhelm Stotmeister, STO introduced

the first synthetic-resin wall coating in the world. Over the past thirty-two years, under the direction of its European parent company—Stotmeister GmbH in Stuhlingen, Germany—STO has expanded so rapidly that offices and distribution centers have been established throughout Europe and in many areas around the globe. In 1988, to allow for further growth and to plan for the future, Stotmeister GmbH became STO AG.

On the North American continent, the STO Corp. owns STO Industries, Inc. which operates manufacturing facilities in Rutland, Vermont and Atlanta, Georgia that support a sales force and a national network of distributors.

The STO Corp. also owns the Powerwall Corporation which operates manufacturing facilities in San Antonio, Texas and Phoenix, Arizona, and supports a broad dealer network for its own Commodity Product Line.

The product line for the STO network of companies includes:

Exterior Insulation Systems and Finishes
Interior & Exterior Coatings:
- Cementitious
- Polymer
- Silicon
- Silicate
- Solvent

Concrete Restoration Systems
Acoustical Insulations Systems
One-Coat Stucco Systems □

SCHENKERS
International Forwarders, Inc.

SCHENKERS INTERNATIONAL FORWARDERS, INC. is part of one of the world's oldest and largest freight forwarding organizations. Operating with access to—and as an important part of—an extensive worldwide network, Schenkers enjoys a reputation as a reliable, experienced and innovative provider of all forwarding and related services.

In 1953, Schenkers began operating from an office in New York City; a second office, in Chicago, was opened in 1959. Over 40 offices now serve the needs of importers, exporters and domestic shippers throughout the country. Every major international port, air gateway and industrial area in the U.S. is supported by a Schenkers office.

Air and ocean import and export shipments account for a major portion of the company's activities. Consolidations and containerizations are arranged; rates are negotiated and filed; all necessary documentation, including legalization, banking, letters of credit and sight drafts, are completed. Schenkers has outstanding expertise in handling hazardous or perishable cargo.

Household removal and personal effects are part of Schenkers' specialized global services.

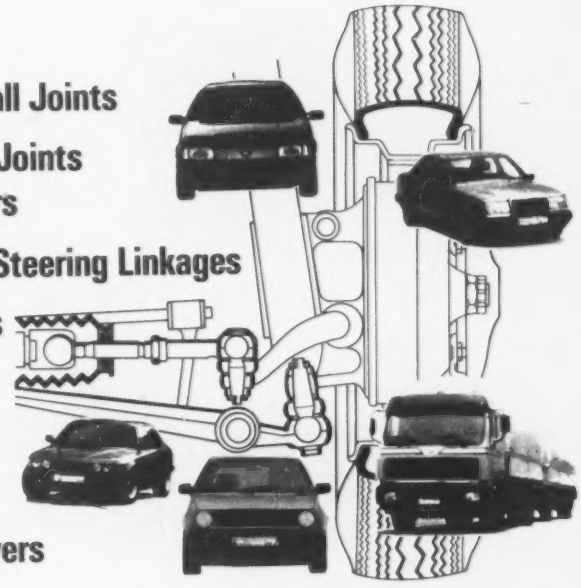
Licensed customs brokers are on staff in every branch office. These individuals have a vast wealth of knowledge about all types of entry preparation, including fairs and exhibitions, formal and informal, dutiable, duty-free, CBI and CSP. They can file continuous bond applications, enter temporary import bonds, arrange for drawbacks and process carnets. Access to the U.S. Customs' Automated Broker Interface (ABI), designed to streamline entry processing functions, is granted only after rigorous training and 100% error-free testing. Half of the company's offices are now certified by U.S. Customs; all branches are expected to be on-line by early 1989.

International projects and logistics services are a Schenkers' strong point. Staff experts work with engineering and construction firms, starting with project feasibility studies, through planning and, finally, to implementation of massive long-term cargo movements. A computerized logistics system, designated by Schenkers, controls the flow of information throughout the worldwide network. This system provides regular status reports and insures complete coordination from the U.S. suppliers to job sites as remote as Papua, New Guinea, or off-shore Malaysia.

Fairs and exhibitions are vital showcases for international markets. In this area, Schenkers'

Engineered Quality Products for Dependable Driving.

Suspension Ball Joints
Inner & Outer Joints for R & P Gears
Conventional Steering Linkages
Stabilizer Bars
Torque & Radius Rods
Drag Links
Gear Shift Levers



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TRW

specialists not only coordinate cargo transport, they also facilitate packing, crating, warehousing and setting up displays. Customs clearances are expedited, and all paperwork is completed for the client. When the fair is over, Schenkers can have the exhibit disassembled and returned, and can also deliver any merchandise sold at the trade show.

Packing is more than an art—it's the vital first step to damage-free transportation of any cargo. Schenkers' professionals select the correct protective materials or, if necessary, design and manufacture customized packing. Warehouse facilities throughout the country boast state-of-the-art equipment. Employees, trained to handle the most sensitive shipments, take care of export packing, warehousing, containerization and secure storage. Several of these warehouses have separate U.S. Customs Bonded Storage areas.

Schenker & Co. was founded in 1872 by the enterprising young Gottfried Schenker and two partners. The following year he introduced a radical new concept in transport, combining several small shipments into one unit. The first consolidated rail freight shipments were moved between Paris and Vienna. As early as 1898, Gottfried Schenker recognized the importance of links with the New World and became an agent for the Kansas City, Pittsburg & Gulf Railroad Company.

Today, the worldwide Schenker organization is made up of over 500 offices staffed by nearly 12,000 highly trained personnel. The company is represented in more than 100 countries; it has facilities in 120 air freight terminals and in over 100 seaports. In the U.S., nearly 1,000 employees serve Schenkers' clients from over 40 locations; in Germany, more than 4,200 people work in over 125 offices.

This dense, globe-girdling network stands ready to manage any shipment, no matter how large or small, to any place in the world. For information and advice on all forwarding and related services, contact:

Schenkers International Forwarders, Inc.
Corporate Traffic Department
One World Trade Center, Suite 3067
New York, New York 10048
Tel: (212) 432-3058
Telex: 824231
Fax: (212) 432-3038

Schenker & Co. GmbH.
Zentralleitung
Post Office Box 110643
Hainer Weg 13—15
D-6000 Frankfurt/Main 70
Tel: (69) 60530
Telex: 41525811
Fax: 6053207 □

SCHLEICHER
Relays and Automation Systems

When you come from the city of Berlin to Spandau you will recognize from a distance already the blue hexagon on the striking yellow building: symbol of a successful traditional enterprise. Founded in 1937 by Senior Engineer Otto SCHLEICHER and—after destruction and dismantling—newly established and developed to a modern industrial enterprise by his son, Senior Engineer Helmut Schleicher, the Schleicher relay works stand today for manufacturers of excellent precision time delay relays and program control equipment, in Germany and in the world. From the very beginning it was the capability to participate in the technological relay progress by pioneer work which secured the success of the Schleicher relay works. The secret of the success of Schleicher relays is functionality. The convenient time adjustment and range selection, the at-a-glance function display, stylish standardized housings, universal surface and recessed mounting facilities are as convincing for the relay user as the clear plastic cover which reveals the high-precision "interior" of every Schleicher time delay relay.

There is another field in which Schleicher's lead in relay engineering is obvious—the use of modern plastics. Whereas a time delay relay previously consisted of over 260 components, relays have now been reduced to a mere 80 or so precision parts that are simply fitted together.

The technical development activities of the Schleicher works are mainly concentrated on the quality improvement and quality assurance of the mechanical and electronic time delay relays as well as on the necessary expansion in the field of electronic control systems. From the most simple programmable control system of the compact type to the multiprocessor system for bit and word processing this product range occupies today a large space in the comprehensive Schleicher program.

This technology is manufactured in the Berlin works as well as in the affiliated Munich subsidiary, Schleicher Electronic GmbH & Co. KG, concentrating especially on customer-specific controls.

The Schleicher company offers service in all parts of the world for the relay as well as for the control systems program by competent consultant offices and representatives. □

SCHOTT
GLASS TECHNOLOGIES INC.

Commencing operations in 1969, SCHOTT GLASS TECHNOLOGIES INC., Duryea, Pennsylvania has grown to be the United States' foremost manufacturer of scientific optical glass. With the exception of its parent, Schott Glaswerke, the firm offers the world's most comprehensive variety of optical glasses.

Since the founding in 1884 of the original Glastechnisches Laboratorium Schott und Gen., the Schott name has been synonymous with quality and innovation in glass. Schott Glass Technologies Inc. not only follows in this tradition, but has developed many new glass types for special applications within the Western Hemisphere. This is exemplified by the recent completion of Schott's latest expansion—one of the most modern glass research and development laboratories. Schott is now conducting research for Western Hemisphere customers right here in the United States on a much broader basis.

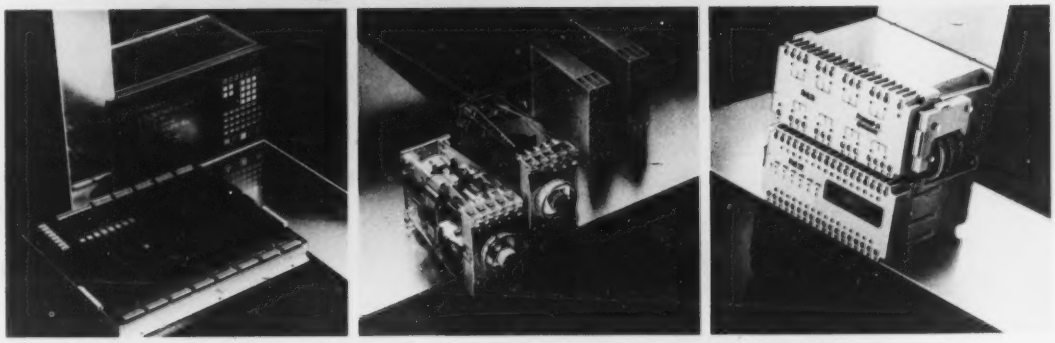
Schott Glass Technologies Inc. manufactures precision glass products for a multitude of scientific applications. The industries can be broadly described as ophthalmic, scientific optical, as well as numerous highly specialized markets.

Among the ophthalmic products manufactured by the firm are spectacle lens blanks made of traditional white and colored glasses, as well as photochromics, safety, and special purpose glasses. The firm was awarded the Industrial Research IR-100 Award for developing High-Lite®, a special glass which allows high prescription spectacle lenses to be made with greatly reduced thickness. Schott has recently expanded its ophthalmic line with the introduction of SunMagic®, a photochromic sunglass lens which is featured in many of the world's most fashionable sunglasses

The mainstays of the precision optical product line include over 400 types of glasses to satisfy the needs of optical instrument makers in the Western Hemisphere. Augmenting these glasses are specialty products, such as highly sophisticated laser glasses, radiation shielding glass, scientific color filter glass, glasses for fiber optics applications, and glases for CRT's and other displays. Many new developments are for specialty applications in the military and industrial fields.

Schott officers are: Franz E. Herkt, President; Henning Fuhrmann, Vice President of Operations; and John G. Gulbin, Vice President of Finance. □

Switching, control, positioning.



Schleicher products are moving the scene in the relay, control and technology field. By innovation, precision and economy. Since five decades. Worldwide.

Schleicher GmbH & Co. Relais-Werke KG, Pichelswerderstr. 3–5, D–1000 Berlin 20, Tel. (030) 33005–1, Telex 182950 srbl d

Schleicher electronic GmbH & Co. KG, Schönleutnerstr. 8 D-8042 Oberschleissheim, Tel. (089) 31561 5-0, Telex 5 218 829 sem d

SCHLEICHER

Relays and Automation Systems

SIEMENS

In fiscal 1987, the SIEMENS companies in the United States reported $2.8 billion in sales and the number of employees exceeded 26,000.

Since fiscal 1983, the companies have been under a decentralized management. At present, there are eight major Siemens operating companies in the U.S. They are: Siemens Components, Inc. and Siemens Medical Systems, Inc., Iselin, N.J.; Siemens Communication Systems, Inc., and Siemens Information Systems, Inc., Boca Raton, FL; Siemens Energy and Automation, Inc., Atlanta, GA; Siemens KWU Inc., New York, NY; Hell Graphic Systems, Inc., Port Washington NY; and OSRAM Corporation, Montgomery, NY.

As of October 1, 1988, the two central corporate companies have been combined. Siemens Capital Corporation—the shareholding company for Siemens in the United States—and Siemens Corporate Research and Support are now Siemens Corporation. The company's corporate research organization has been reorganized as Siemens Corporate Research, Inc.

The Siemens companies in the United States have some 47 manufacturing locations and more than 400 sales and administrative facilities in 46 states. These companies export about 15 percent of their products and services.

The product spectrum of the Siemens companies in the United States basically parallels that of the parent German company. The American companies are active in medical engineering, public and private communication networks, factory automation, electronic components, power generation and transmission, lighting and graphics equipment.

Research and development is an important activity for the U.S. companies. While the companies maintain their own activities in this area, about 150 scientists, engineers and technicians are employed at the Siemens Corporate Research, Inc. laboratories in Princeton, NJ. The Siemens U.S. companies spend over $125 million in this area. □

In SOUTH CAROLINA, when we talk business, we mean business.

And we maintain a way of life and a business climate to support it.

Our economy is based on a strong work ethic. In fact, we are known for having one of the most productive work forces in the nation where our workers consistently maintain the nation's lowest work stoppage rate.

And, we are ready to meet the future with a state technical education system of 16 local colleges training tomorrow's workers with tomorrow's skills. And there is a Special Schools division training workers for specific jobs in specific companies, responding directly and completely to the needs of new and expanding businesses.

We also invest in our children's future. A five-year, $1.2 billion Education Improvement Act—called by some the most comprehensive in the nation—is producing results that are setting new standards. Outstanding teachers, schools and students are being rewarded, while those not meeting standards are being required to take corrective actions.

And we support our businesses and industries.

That is why we maintain one of the nation's best transportation networks, with more than 60,000 miles of toll-free highways and five interstates. Two major competing rail carriers operate extensive systems in our state. This well-developed transportation infrastructure and our strategic location combine to make the state a perfect place from which to serve

three-fourths of the nation's population.

The state also maintains three modern seaports, with the Port of Charleston being the largest containerized and break-bulk port in the South Atlantic Quadrant.

We have one of the nation's most balanced state/local taxing systems. Our tax rates are among the lowest in the nation—No. 8 based on a comparison of state and local taxes per capita. There is a statewide job tax credit for companies creating a minimum number of new jobs, and there is no inventory tax, no wholesale sales tax, no unitary tax, and no local income or sales taxes.

A variety of financial aides, including industrial revenue bonds and federal programs such as the Small Business Administration loans and community development loans, are available. Our Jobs-Economic Development Authority offers a variety of financing programs for qualifying businesses.

And our state network of three research parks, each near a major research university, is providing an atmosphere for today's industries to develop tomorrow's techniques.

South Carolina's businesses and industries are testimonies to our successes. We maintain one of the nation's highest business incorporation rates and one of the lowest business failure rates. And more that 50 percent of our new jobs each year are created by existing companies that are prospering and growing in South Carolina.

Quite simply, South Carolina makes good business sense.

For additional information, call or write Steven Nadeau, Frankfurt Airport Center, Hug-Eckner Ring, P.O. Box 750423, D-6000 Frankfurt/Main 75, Federal Republic of Germany (FRG). Telephone: 49/69/69797-463 Telex: 41-417-775 Telefax: 49/69/69/797/110□

STINNES

STINNES CORPORATION, New York, is a wholly owned subsidiary of Stinnes AG, Muelheim, West Germany, a member of the VEBA Group of companies. As a holding company, Stinnes Corporation monitors the trading, distribution, export and import activities of its subsidiaries and joint-venture companies in the United States. Stinnes presently is engaged in four major product lines.

Stinnes Interoil, Red Bank, New Jersey is a major supplier of heating oil and other oil products to utilities and industry. Stinnes Coal Company, Inc., with offices in New York and Kentucky, markets U.S. steam and metallurgical coal both on a domestic and export basis. F & S Alloys and Minerals Corporation, New York and Miller and Company, Chicago serve the domestic foundry and steel industries with a wide spectrum of alloys, ores, minerals and other raw materials from worldwide sources.

The chemical distribution activities of Stinnes consist of three strong regional distributors: Textile Chemical Co., Inc., Reading, Pennsylvania; Delta Distributors Inc., Longview, Texas; and SOCO-Western Chemical Corporation, Los Angeles, California. International chemical trading including international sourcing is performed by Brenntag Interchem, Inc., Philadelphia, Pennsylvania.

Other ventures include freight forwarding services provided by Rhenus International Transport Corporation, New York, steel trading and distribution by Steelinter Inc., New York and the repair and rebuilding of diesel engine components by Precision National Plating Services, Inc., Clarks Summit, Pennsylvania.

Total sales of the U.S. Group are expected to be approximately $1 billion in 1987. All subsidiaries are actively expanding their operations. □

TRW

The history of EHRENREICH is closely connected with that of the automotive industry. Aurelius Ehrenreich founded the company in 1887—only one year after Gottlieb Daimler build the first four-wheel motor-driven carriage. Within only 35 years the company developed into an important manufacturer of a variety of parts for the machine-building industry. In 1921 the start in automotive engineering was made by acquiring the patent for ball joints for the manufacture of tie rods and drag links.

Today Ehrenreich produces ball joints and suspension ball joints, track control arms, steering linkages, radius rods and stabilisers and gear shift levers for practically all makes and almost all types of vehicles in Europe on the basis of maintenance-free ball joints. Recently complete power steering gears were included in the company's product range. The high safety and quality standards that are recognized throughout the automotive industry are an essential must for the present position of TRW EHRENREICH in Europe. With about 3,700 employees in four plants, Ehrenreich is not only one of the largest companies in the TRW corporation but also a leading supplier to Europe's automotive industry.

Ehrenreich became a subsidiary of TRW Inc. Cleveland/Ohio in 1971. This corporation is active throughout the world with 80,000 employees and ranks among the largest suppliers to the automotive industry. Additionally, TRW is a leader in the American space and satellite industry as well as in the fields of communication, electronics and computer technologies. As part of TRW, Ehrenreich will also in the future continue to offer most competitive products to the automotive industry worldwide. □

THYSSEN

THYSSEN INC., a wholly owned subsidiary and member of the West German Thyssen Group, is a major U.S. and international trading concern, which has its headquarters in New York City.

The steel products of the Thyssen mills as well as industrial products of various Thyssen enterprises have been sold in the U.S. for many years. As the demands for these products increased, it became necessary for the Thyssen Group to establish a company to facilitate communications, order entries and achieve more complete penetration between Thyssen and its customers.

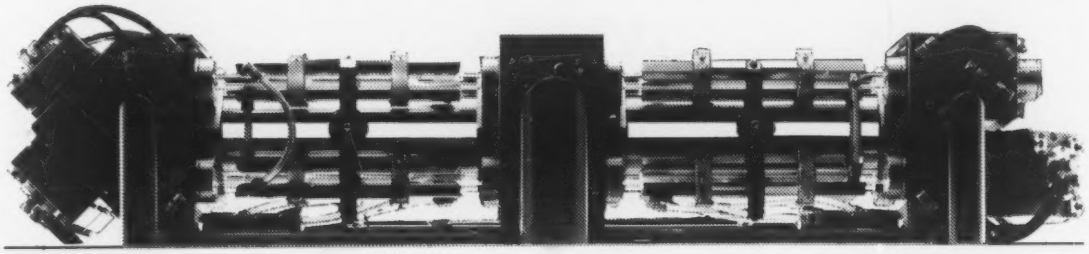
Thyssen Inc. was founded in mid-1959. Since its formation, Thyssen Inc. has continually expanded its U.S. and international operations by adding various new lines of activities to the original business of importing steel. As a result, Thyssen Inc.'s organizational set-up was restructured in the beginning of 1981 with the formation of three major divisions, Thyssen Steel Co., Thyssen Carbometal Co. and Thyssen Rheinstahl Technik Co.

Thyssen Steel Co. expanded its direct domestic sales representation with offices in Houston and Los Angeles and with the formation of divisions and/or subsidiaries to handle and establish various additional lines of business.

In the 1970's, Thyssen Steel Co. entered the domestic market of steel warehousing with the establishment of Thyssen Metal Service/Southwest and later on with Thyssen Metal Service/West Coast and Thyssen Steel Detroit Co. These service centers and distributors supply to the Southwest, Southeast, Northeast, the Midwest and Great Lakes areas and the West Coast respectively with rolled steel products.

Since the mid 1980's, Thyssen Steel Co. successfully opened export markets for steel products manufactured by U.S. and Mexican steel producers.

TRUMPF LASER.
Because light as a tool has a future.



TRUMPF

TRUMPF LASERS are manufactured at two production facilities and delivered worldwide. Excellent field and applications engineering services are standard.

The TRUMPF LASER is an innovative "tool" wether integrated into a TRUMPF sheetmetal fabrication center or any other futur-oriented precision material processing operation for metallic and non metallic workpieces.

TRUMPF
Lasertechnik GmbH
D-7257 Ditzingen

TRUMPF
Industrial Lasers Inc.
Somerville
MA, U.S.A.

At the same time, Thyssen Carbometal Co. established a worldwide business in raw materials, mainly coal and iron ore, steel scrap and secondaries.

Thyssen Rheinstahl Technik Co., headquartered in Atlanta, Georgia, established itself as project manager and general contractor of turn-key and related industrial building and construction projects in the Southeast and West Coast regions.

Today the combined operations of Thyssen Inc. employ almost 250 people in various parts of the country. The company's activitiies include international raw material trading, warehousing and steel service center operations in the U.S., as well as sales of industrial products and project management.

With such dynamic growth, Thyssen Inc. has beome a major factor in the domestic steel community and in international trading. □

TRUMPF

Established as a sales subsidiary of TRUMPF GmbH in 1969 in Farmington Industrial Park, Farmington, Connecticut, TRUMPF INC. is now a wholly-sufficient 80,000 sq. ft. manufacturing, sales and service facility with 200 employees. It surpassed its sales forecast of $35 million for the fiscal year 1987-88 despite a lengthy machine tool industry depression.

In spite of the current difficult economic environment worldwide, the group of Trumpf subsidiaries, a network extending from West Germany to America, Brazil, England, France, Japan, Sweden and Switzerland that employs 2,200, increased sales by 17% to 540 million DM for the fiscal year ended June 1988.

Having incorporated production functions in 1975, the American subsidiary shipped its 500th CNC sheetmetal working machine this past Spring. Approximately 35% of the machines built in the USA are exported to Japan, Canada, Mexico and South America.

The technically superior, economically efficient, innovative Trumpf product-line includes CNC punching/contouring machines, CO 2-based lasers and lasercutting centers, fully automatic flexible manufacturing systems, and a wide range of portable power tools.

The first machine tool manufacturer to build a range of R.F.-excited industrial lasers providing advanced cutting technology.

Trumpf last March purchased an established 40,000 sq. ft. laser manufacturing facility from Combustion Engineering in Somerville, Massachusetts, in order to more deeply penetrate the more than $200 million U.S. laser market. Now called Trumpf Industrial Lasers, the operation adds the capacity to produce A.C.-excited lasers. Today, Trumpf is one of the largest laser system manufacturers worldwide.

The company extended its commitment to fully automated sheetmetal fabrication and strengthened its leadership position as a single-source supplier of complete flexible fabricating systems when in May it began providing storage and retrieval systems manufactured in the U.S. Trumpf Storage and Retrieval Systems range from simple storage racks to sophisticated units under computer control which can be integrated into many different flexible manufacturing cells.

Ideal for large production runs as well as small job shop applications, Trumpf products are a standard for productivity and precision. Heavy investment in research and development has resulted in a high degree of responsiveness to customers' manufacturing needs, whether for punching and contouring, punching and thermal cutting, cells or total flexible manufacturing systems, tooling and tool change systems, or power tools.

The Trumpf Power Tools product-line, which saves time and decreases operating

costs, includes both electric and pneumatic bevelers, nibblers, a power fastener, shears, a power punch, and seam lockers. As with the Trumpf CNC machine product-line, tools are designed to ensure long service life and economical maintenance. □

UNION AIR TRANSPORT GmbH opened its U.S. offices in 1959. UAT's main office and central administration for the U.S. is located in Merrick, New York. UAT is an affiliate of one of the largest West German freight forwarders, Union-Transport, which has its headquarters in Duesseldorf.

This year calls for an exciting expansion of UAT's American operations offices, not only in the air transport field, but also in the area of import/export brokerage and NVO services, both air and ocean.

Mr. P. Robert Doernte is Union Air Transport's General Manager for the U.S.A.

Each UAT branch has its own warehouse operation, with experienced staff and modern equipment, including the latest operational software, to insure the best available service. UAT utilizes an on-line information retrieval system and electronic document transmission, as well as a computerized shipment tracing system, in order to provide the greatest possible efficiency; we are compatible with most hardware, thereby enabling our customers to tie into our system, and we accommodate the software needs of our clientele wherever possible.

Union Air Transport is initiating more concentrated weekly NVO services at the various gateways in the U.S., which appears at this time to be an excellent success. □

VAW aluminum

V.A.W. OF AMERICA, INC. has been operating in Ellenville, New York since October 1965. The company, wholly owned by Vereingte Aluminum-Werke AG-Bonn, is a major producer of aluminum billet and semi-fabricated products. The V.A.W. Ellenville plant consists of an aluminum casting operation for the production of over 100 million pounds of billets in various sizes and different alloys. This constituted the basis for construction of the firm's extrusion presses and its tube drawing and rigid conduit production facilities.

Since 1979, V.A.W. has been operating a second plant in the United States, located in St. Augustine, Florida. This plant produces the same range of extruded and drawn aluminum products and is equipped with the most advanced electro-static paint line, enabling V.A.W. to supply coated aluminum extrusions and tubing.

In an area of aluminum extrusions, V.A.W. operates seven large presses covering the entire range of shapes from small, lightweight profiles for the building market, to heavy and complex configurations in various aluminum alloys for the construction, transportation and electrical industries. A major specialty in extrusions has been the development of close tolerance tubing and pipe, used for example in lighting standard and sailboat masts. Through years of technical development, V.A.W. expertise in these areas has led to major breakthroughs for the fabricating industry.

Another major product line is drawn aluminum tubing. The availability of advanced equipment (such as cable hydraulic draw benches), combined with technical leadership in the area of tube drawing, has enabled V.A.W. to become a major supplier of tube for consumer durable products and, in particular, outdoor lawn and garden furnishings and other specialty markets.

Over the years, V.A.W. of America has achieved a position as a leading supplier of rigid aluminum conduits for the electrical industry, and distributes aluminum conduits through a network of warehouses throughout the United States.

The V.A.W. operations are backed by a complete R & D and testing laboratory. The laboratory utilizes diverse testing equipment, including ultra-modern electro-spectrographic analyzing machinery.

V.A.W. plans to apply its knowledge and expertise through the years to ensure its continued position as a major supplier of extrusions and tubing to the growing aluminum market in the United States. □

ARTHUR YOUNG

ARTHUR YOUNG is one of the oldest and most respected professional service firms in the world. Founded in 1894, our 90 offices in the United States specialize in providing professional assistance and counsel to those already in the United States and to those who may wish to consider an investment there. Through our member firms in Germany—Schitag Schwabische Treuhand AG and Arthur Young GmbH and our other 350 offices worldwide, we provide international accounting, auditing, tax, management consulting and other advisory services to help you maximize the likelihood of a successful U.S. venture.

Our professionals will work closely with you in such areas as: pre-investment planning...relations with banks and other sources of capital...tax planning and international tax advice...acquisition reviews ...accounting records and systems... compliance with the 4th and 7th Directors of the EEC...independent audits and special reviews...management information reports...and a wide range of business consulting services.

Arthur Young is noted for the depth and breadth of our experience in serving the needs of companies with international activities. With over 12,400 employees in the United States and total worldwide personnel of over 30,800, the firm has the size and the range of capabilities to serve you, locally and around the world. More than that, we have a record of quality and commitment to personalized service that will support your organization.

We have studied formally and extensively the experiences of German investors in the U.S. as reflected in our survey *German Enterprise in the United States* issued jointly with the German American Chamber of Commerce. Complimentary copies are available by writing Herbert A. Morey, Arthur Young, 277 Park Avenue, New York, N.Y., 10172.

Arthur Young's network of offices in the United States can be an especially valuable asset to the foreign investor concerning local business conditions, opportunities, government regulations, and relations with businessmen, bankers, government representatives, and other professional advisors. This local perspective is demonstrated in our by-state series entitled, *Starting and Operating a Business in*..... And for the national outlook, we have an excellent guide, *Doing Business in the U.S.A.* These publications can also be obtained by writing Mr. Morey at the address given above. □

ZF

ZF OF NORTH AMERICA, Inc. is the exclusive representative for ZF products in the United States and Canada. The company currently employs 200 people at its headquarters in Lincolnshire, Illinois, a suburb of Chicago, and its office in Detroit.

The company emphasizes research and development, and has a reputation for produc-

ing quality, cost competitive products.

ZF specializes in advanced drive train and steering components for a wide variety of on- and off-highway applications, including agriculture, construction and material handling vehicles, passenger cars, trucks, rapid transit buses, and pleasure and work boats.

As a worldwide leader in driveline technology, ZF supplies many major manufacturers in the U.S. with automatic, manual and powershift transmissions, trans-axles, axles and steering systems.

In addition, a worldwide staff of factory-trained technicians is always available to provide prompt technical support, service and spare parts. ZF is committed to backing all of its products during the warranty period, as well as afterwards.

A brief history of the ZF Group

ZF of North America, Inc. is part of the ZF Group, which was founded in 1915 by Count Ferdinand von Zeppelin to produce transmissions for his famous Zeppelin airships.

Several years later ZF pioneered the first fully synchronized manual transmission.

Today, the ZF Group of companies is the leading independent manufacturer of transmissions, steering systems and axles in the world, has sales of $2.5 billion, employs more than 30,000 people, and operates facilities and service centers in Europe, North America, South America and the Far East.

ZF of North America, Inc.
500 Barclay Boulevard
Lincolnshire, Illinois 60069
(312) 634-3500
Telex: 255240 ZF NA ILL UD

It costs no more to specify the best—ZF □

ZEISS

CARL ZEISS, Inc. is a part of the worldwide Carl Zeiss organization headquartered in West Germany. Since its establishment as a U.S. corporation in 1925, Carl Zeiss, Inc. has constantly expanded its presence in the American market as a sales, marketing, and service organization of precision products for industry and for the medical and scientific communities. These are products which have set world standards for nearly one and one-half centuries. The Zeiss commitment to uncompromising excellence has consistently defined the state-of-the-art in such diverse areas as precision machines for industrial measuring, optical systems for industrial applications, surveying instruments, aerial cameras, light and electron microscopes, surgical microscopes, ophthalmic instruments, telescopes and planetaria. Cases in point are the recent introduction of an advanced line of research microscopes, an electron microscope which promises break-through discoveries in medicine and other areas of application, and improved instrumentation for the land surveyor.

Zeiss consumer products—high fashion eyeglass frames and sunglasses, binoculars, sporting glasses and riflescopes—are offered to the U.S. market through ophthalmic dispensers and other retail outlets by another Zeiss subsidiary, Carl Zeiss Optical, Inc. in Petersburg, VA.

The unique capabilities of Carl Zeiss in combining optics, precision mechanics and advanced electronics have paved the way for significant industrial advances in the field of metrology, a science which dates back to man's first need for a formal method of linear measurement. The Industrial Measuring Technology Division of Carl Zeiss, Inc., markets high performance, computer-controlled coordinate measuring machines. Incorporating a unique probing system designed by

Make Yourself At Home In The U.S.

If you're getting the highest quality auditing, tax, and management consulting services in Germany, shouldn't you expect the same when you do business in the United States?

Through membership in Arthur Young International, Schitag Schwabische Treuhand AG and Arthur Young have established a "bridge" between the U.S. and Germany. As a result, we can provide you with the best of both worlds: Professionals in U.S. markets with hands-on personal knowledge of German business practices and an understanding of your special needs, plus the extensive resources of Arthur Young, with offices in 90 U.S. cities.

Whether you are already in the US market, or are planning an initial investment in the United States, you will be interested in the following publications:

- *German Enterprise in the United States*—the results of a survey conducted by the German American Chamber of Commerce and Arthur Young International, providing insights into the experiences of German-owned businesses across America.
- *Doing Business in the USA*—accounting, tax, regulatory and other—our national guide to issues associated with establishing and operating a business in the United States.
- *Starting and Operating a Business in . . . . .*—our by-state series published by Oasis Press providing information about organizing a business in a particular state.

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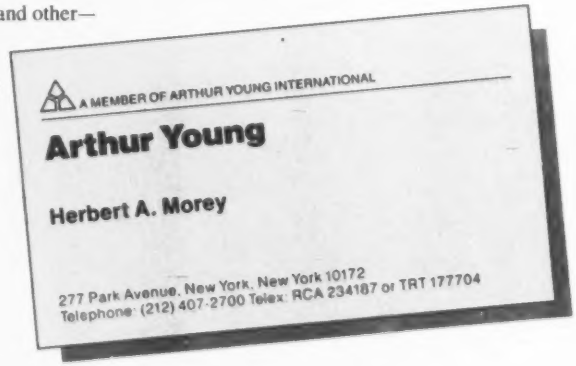
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Arthur Young
Herbert A. Morey
277 Park Avenue, New York, New York 10172
Telephone: (212) 407-2700 Telex: RCA 234187 or TRT 177704

We take business *Personally.*

Zeiss, measurements can be made in the incredible range of millionths of an inch. These machines, used as a quality control tool for cost-effective measurement of precision production parts such as turbine blades or components of an internal combustion engine, are rapidly replacing the time consuming task once required of measuring parts manually with traditional hand-held gauging instruments. Today, Carl Zeiss provides an entire industrial measuring technology product line to serve the needs of diverse major industries, such as automotive, aeronautic, computer, defense and energy. This is an example of another Zeiss achievement which advances the state of technology. ☐

HLT

HTL is the Development Organization of the Federal State of Hessen, the most centrally located State in the Federal Republic of Germany. HTL Group, active since 1951, is a nonprofit organization comprised of two companies which operate under joint management under one and the same roof in Wiesbaden, the state capital.

The two companies are the Industrial Development and Trust Company Hessen, in short HLT-Bank, which is recognized as a bank with a special function. The bank handles all public incentives to investors on behalf of the government. The second firm, HLT Company for Research Planning and Development, carries out detailed regional and economic research and is active in city and regional planning, city reconstruction and development of industrial sites and industrial estates.

HLT is a specialized partner for private companies planning to set up an enterprise in the dynamic Hessian economy. HLT provides comprehensive support to the investor, from the planning stage through completion. HLT offers expert guidance during the site selection decision phase and provides the investor with all economic data required for selecting the most suitable location and advises on all questions of financing the project.

HLT provides information about convention buildings ready for occupancy, warehouses and office space throughout Hessen and organizes inspection tours of locations and facilities. The HLT offers support during the settlement process with direct contacts with various institutions and government officials needed to expedite and facilitate completion. We advise established companies and assist them by giving information on possible suppliers in Hessen, and we help arrange joint ventures and cooperation agreements. When a firm has located its operations in Hessen, the HLT is a valuable partner for help and information for any questions or problems that may arise. ☐

HESSEN

PLUG INTO EUROPE

Hessen, West Germany's most centrally located federal state, is a preferred location for companies seeking to conduct business profitably in the lucrative German market as well as in other European markets. Your one-stop source of support and advice on the attractive potential offered by Hessen is the HLT Group. Our services include: ☐ Economic and regional research ☐ City and regional planning and development ☐ Planning of industrial estates ☐ Industrial settlement assistance ☐ Counsel on cooperation of joint venture opportunities ☐ Information and handling of all public financial incentives

For complete information, please contact HLT.
The Development and Trust Company, Hessen
Abraham Lincoln Strasse 38–42
D 6200 Wiesbaden · West Germany
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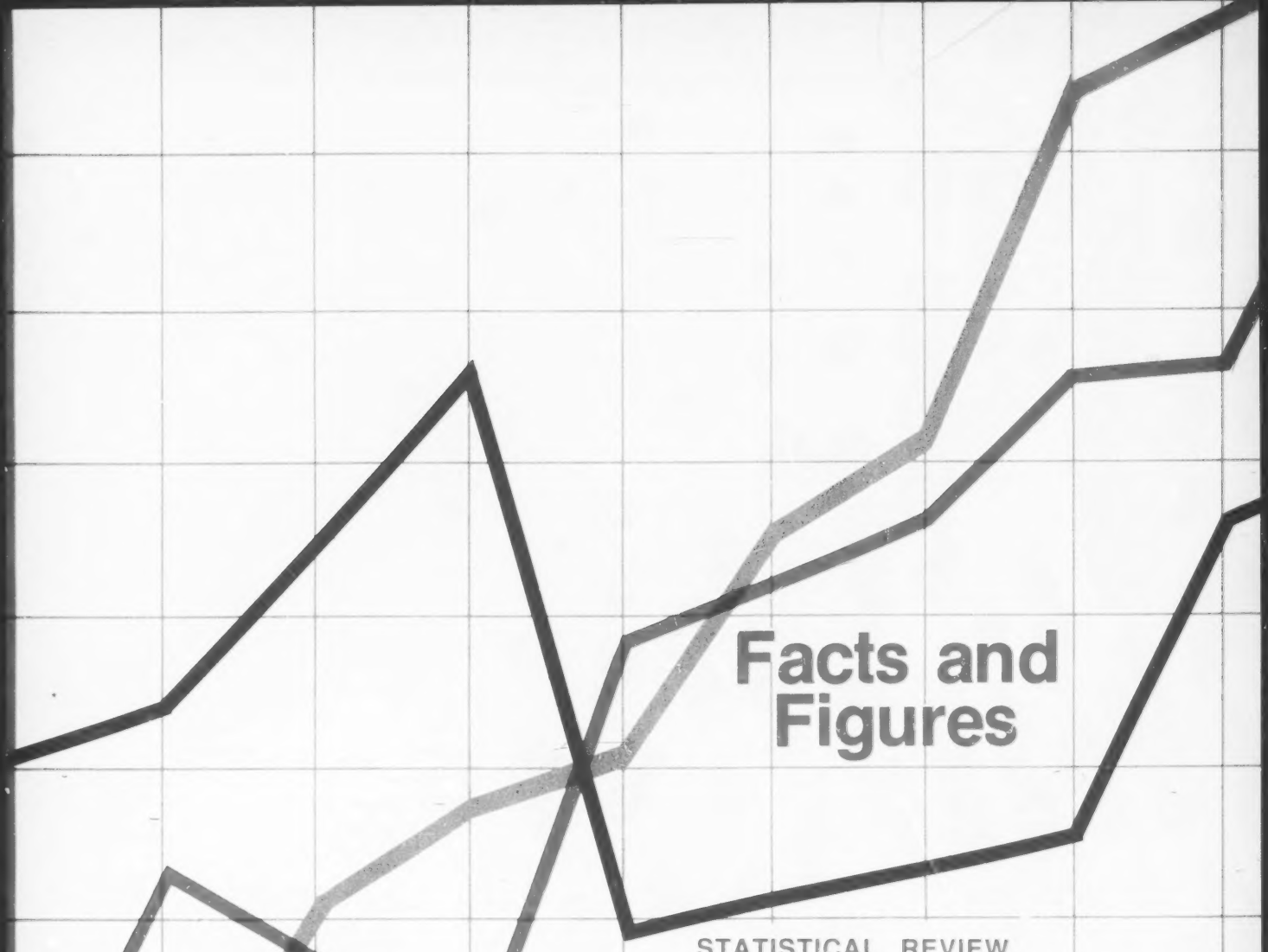

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ACKNOWLEDGEMENTS
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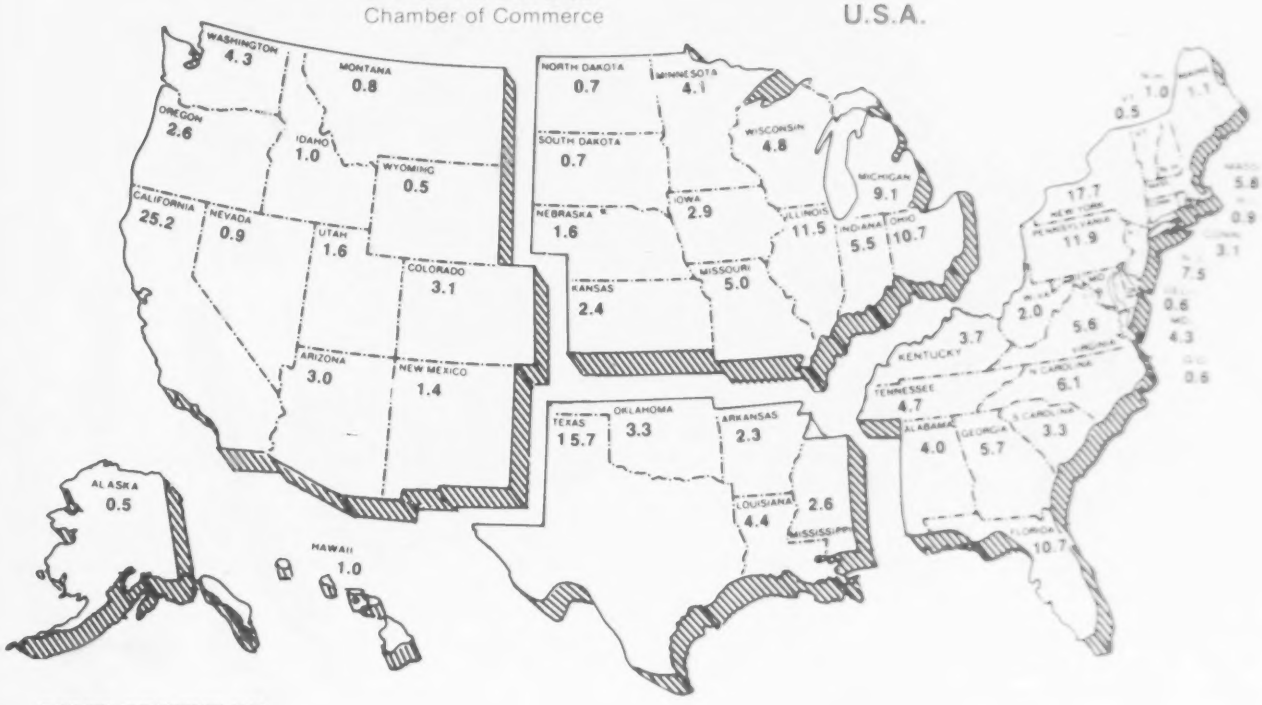
Statistical Review

Prepared by
German American
Chamber of Commerce

U.S.A.



DEVELOPMENT OF POPULATION

Population Break (in mil.)	1960	1970	1980	1983	1984	1985	1986	1987
Area (in 1000 sq. miles)	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	3,618.7	
Population (in mil.)	180.0	204.0	227.2 *	234.0	236.1	238.7	241.1	243.1
—male	88.3	98.9	110.0	113.7	114.8	116.2	117.4	118.3
—female	90.9	104.3	116.5	120.3	121.3	122.6	123.7	124.8
Households (in mil.)	52.8	63.4	80.0	83.9	85.4	86.8	88.8	90.4

Source: U.S. Department of Commerce **Based on new benchmark levels. Not comparable with previously published data.*

Labor Market

Period	**Civilian Labor Force**	**Employed**	**Unemployed**	%
1960	69,628	65,778	3,852	5.5
1970	82,715	78,627	4,088	4.9
1980	104,719	97,270	7,448	7.1
1983	111,551	100,834	10,717	9.6
1984	113,877	105,748	8,130	7.1
1985	115,461	107,150	8,312	7.2
1986	117,834	109,597	8,237	7.0
1987	119,865	112,440	7,425	6.2

Source: U.S. Bureau of Labor Statistics, Employment and Earnings

Unemployment by Duration (in %)

	LESS THAN 5 WEEKS	**5-14 WEEKS**	**15-26 WEEKS**	**27 WEEKS AND OVER**
1980	43.1	32.3	13.8	10.7
1981	41.7	30.7	13.6	14.0
1982	36.4	31.0	16.0	16.6
1983	33.3	27.4	15.4	23.9
1984	39.2	28.7	12.9	19.1
1985	42.1	30.2	12.3	15.4
1986	41.9	31.0	12.7	14.4
1987	43.7	29.6	12.7	14.0

Source: U.S. Council of Economic Advisers

GERMANY

DEVELOPMENT OF POPULATION

Population Break (in mil.)	1960	1970	1975	1980	1983	1984	1985	1986	1987
Area (in 1000 sq. miles)	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0
Population (in mil.)	55.4	60.7	61.8	61.6	61.4	61.2	61.0	61.1	61.2
—male	26.0	28.9	29.4	29.4	29.4	29.2	29.2	29.2	29.3
—female	29.4	31.8	32.3	32.2	32.1	31.9	31.8	31.8	31.9
Households (in mil.)	19.3	22.0	23.7	24.6	*	*	26.4	26.7	. . .

Source: Statistisches Bundesamt, Germany

Labor Market

Period	Civilian Labor Force	Employed	Unemployed	%
1960	26,518	26,247	271	1.3
1970	26,817	26,668	149	0.7
1980	27,217	26,328	889	3.8
1983	27,589	25,331	2,258	9.1
1984	27,629	25,363	2,266	9.1
1985	27,844	25,540	2,304	9.3
1986	28,022	25,794	2,228	9.0
1987	28,200	25,971	2,229	8.9

Source: Statistisches Bundesamt, Germany; Bundesminister der Wirtschaft, Germany

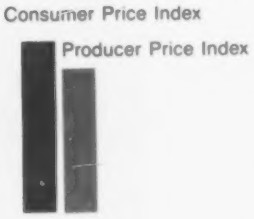
Unemployment by Duration (in %)

	LESS THAN 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-2 YEARS	2 YEARS AND OVER
1980	21.2	30.4	18.8	16.7	7.8	5.1
1982	14.9	24.6	18.3	24.2	13.5	4.4
1983	11.5	22.1	17.0	24.5	17.7	7.2
1984	11.6	21.7	16.2	21.7	17.3	11.5
1985	12.3	20.2	15.8	20.7	16.9	14.1
1986	12.2	20.0	15.6	20.2	16.3	15.6
1987	12.1	20.3	16.0	19.8	15.8	16.1

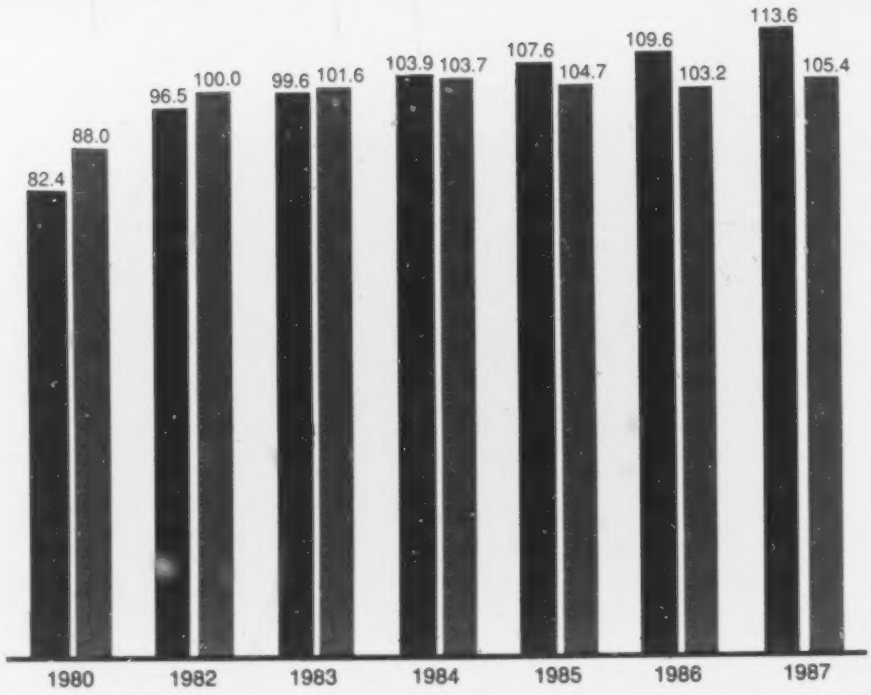
Source: Bundesanstalt fuer Arbeit

U.S.A.

PRICES AND WAGES



Wages and inflation (1982 = 100)



Source: U.S. Department of Labor

CONSUMER PRICE INDEX (all urban consumers)

Period		1982 = 100	Change from previous year %
1970	average	38.8	+ 5.7
1979	"	72.6	+ 11.3
1980	"	82.4	+ 13.4
1981	"	90.9	+ 9.1
1982	"	96.5	+ 6.1
1983	"	99.6	+ 3.2
1984	"	103.9	+ 4.3
1985	"	107.6	+ 3.6
1986	"	109.6	+ 1.9
1987	"	113.6	+ 3.6
Oct. 1988	"	120.3	

Source: U.S. Department of Labor

PRODUCER PRICE INDEX (finished goods)

Period		1982 = 100	Change from previous year %
1970	average	39.3	+ 3.4
1979	"	77.6	+ 11.2
1980	"	88.0	+ 13.4
1981	"	96.1	+ 9.2
1982	"	100.0	+ 3.9
1983	"	101.6	+ 5.7
1984	"	103.7	+ 2.0
1985	"	104.7	+ 1.0
1986	"	103.2	− 1.4
1987	"	105.4	+ 2.1
Oct. 1988	"	109.3	

Source: U.S. Department of Labor

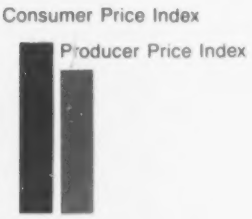
U.S.A. Gross Hourly Earnings
—average—
Manufacturing Industry

1982	8.49
1983	8.83
1984	9.19
1985	9.53
1986	9.73
1987	9.91
Oct. 1988	10.24

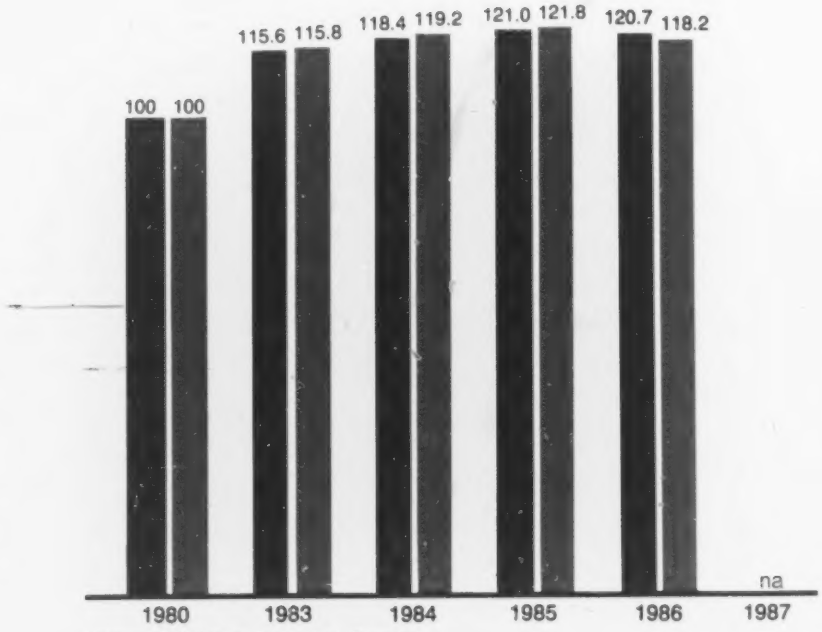
Source: U.S. Department of Commerce

GERMANY

PRICES AND WAGES



Wages and inflation (1980 = 100)



Source: Statistisches Bundesamt, Germany
Deutsche Bundesbank, Germany

CCNSUMER PRICE INDEX [2.]

Period			1980 = 100	Change from previous year %
1975		average	82.0	+ 5.9
1976		"	85.6	+ 4.4
1977		"	88.7	+ 3.6
1978		"	91.1	+ 2.7
1979		"	94.9	+ 4.2
1980		"	100	+ 5.4
1981		"	106.3	+ 6.3
1982		"	111.9	+ 5.3
1983		"	115.6	+ 3.3
1984		"	118.4	+ 2.4
1985		"	121.0	+ 2.2
1986		"	120.7	– 0.2
1987		"	121.0	+ 0.2
1988	Jan.	"	121.5	+ 0.7
	Feb.	"	121.8	+ 0.9
	March	"	121.9	+ 1.0
	April	"	122.2	+ 1.0
	May	"	122.4	+ 1.1
	June	"	122.6	+ 1.1
	July	"	122.5	+ 1.0
	Aug.	"	122.6	+ 1.2

Source: Statistisches Bundesamt, Germany

PRODUCER PRICE INDEX

Period			1985 = 100	Change from previous year %
1975		average	67.4	+ 4.3
1976		"	69.9	+ 3.7
1977		"	71.9	+ 2.9
1978		"	72.7	+ 1.1
1979		"	76.2	+ 4.8
1980		"	81.9	+ 7.5
1981		"	88.3	+ 7.8
1982		"	93.5	+ 5.9
1983		"	94.9	+ 1.5
1984		"	97.6	+ 2.8
1985		"	100.0	+ 2.5
1986		"	97.5	– 2.5
1987		"	95.1	– 2.5
1988	Jan.	"	95.4	+ 0.2
	Feb.	"	95.4	+ 0.5
	March	"	95.5	+ 0.6
	April	"	95.8	+ 1.3
	May	"	96.0	+ 1.4
	June	"	96.3	+ 1.6
	July	"	96.4	+ 1.4
	Aug.	"	96.5	+ 1.4

Source: Statistisches Bundesamt, Germany

Germany Gross Hourly Earnings
(in DM)

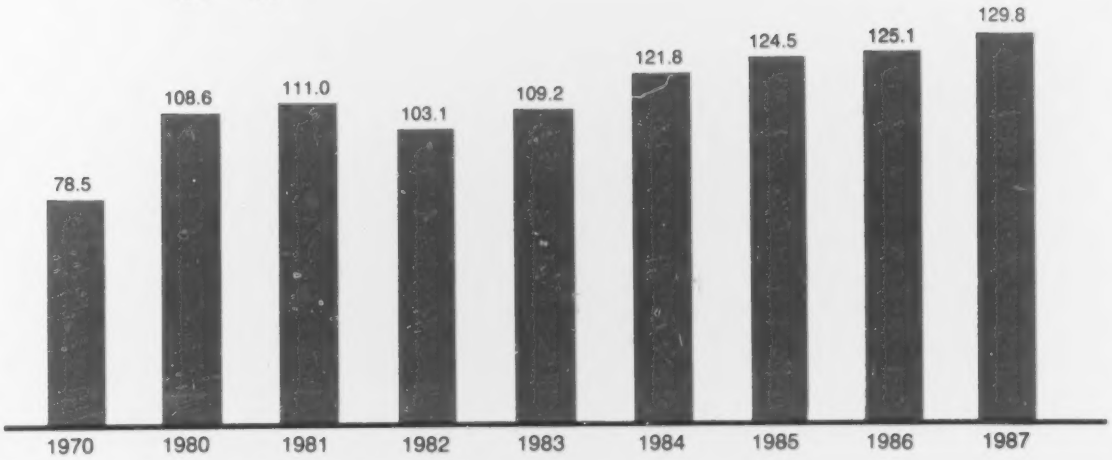
	—average— Manufacturing Industry
1983	15.41
1984	15.77
1985	16.39
1986	16.99
1987	17.68
1988 Jan.	17.98
1988 April	18.37

Source: Statistisches Bundesamt, Germany

U.S.A.

INDUSTRIAL PRODUCTION

Index of Industrial Production
1977 = 100



Source: U.S. Department of Commerce

Percentage change
from preceding year and quarter

1979	3.9
1980	–1.9
1981	2.2
1982	–7.1
1983	5.9
1984	11.5
1985	2.2
1986	0.5
1987	3.8

Source: U.S. Department of Commerce

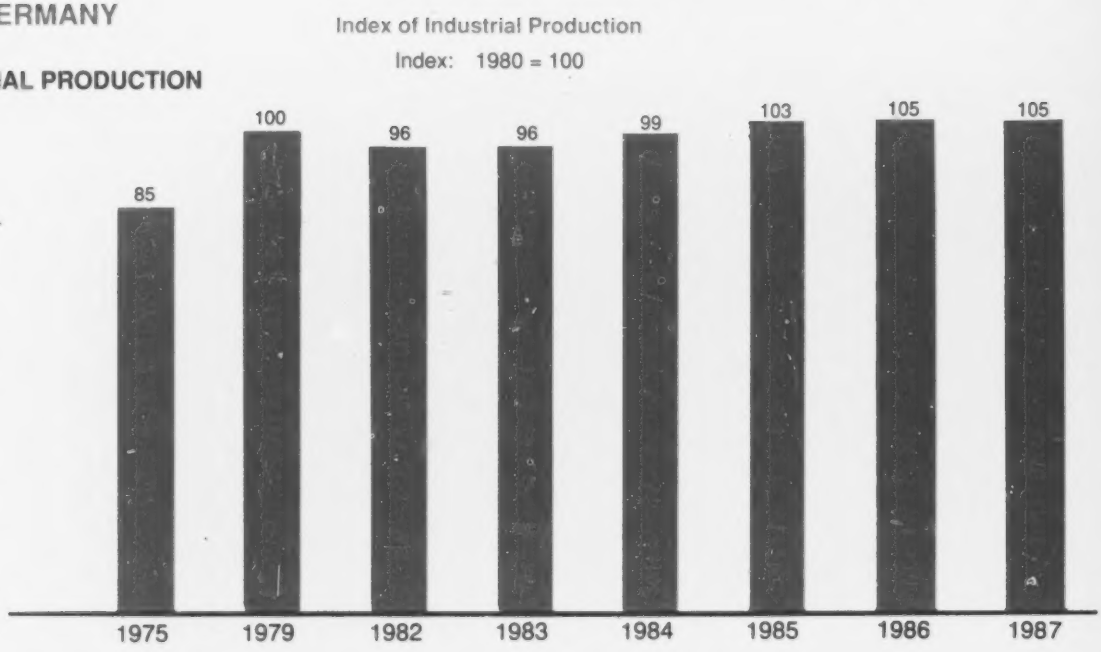
U.S.A.
Capacity Utilization Rate
(Percent; Industry)

1970	79.2
1975	79.2
1980	79.2
1981	78.3
1982	70.3
1983	74.0
1984	80.8
1985	80.3
1986	79.1
1987	81.1
Nov. 1988	84.2

Source: Federal Reserve Board

GERMANY

INDUSTRIAL PRODUCTION



Source: Organization for Economic Cooperation and Development (OECD)

Percentage change
from preceding year and quarter

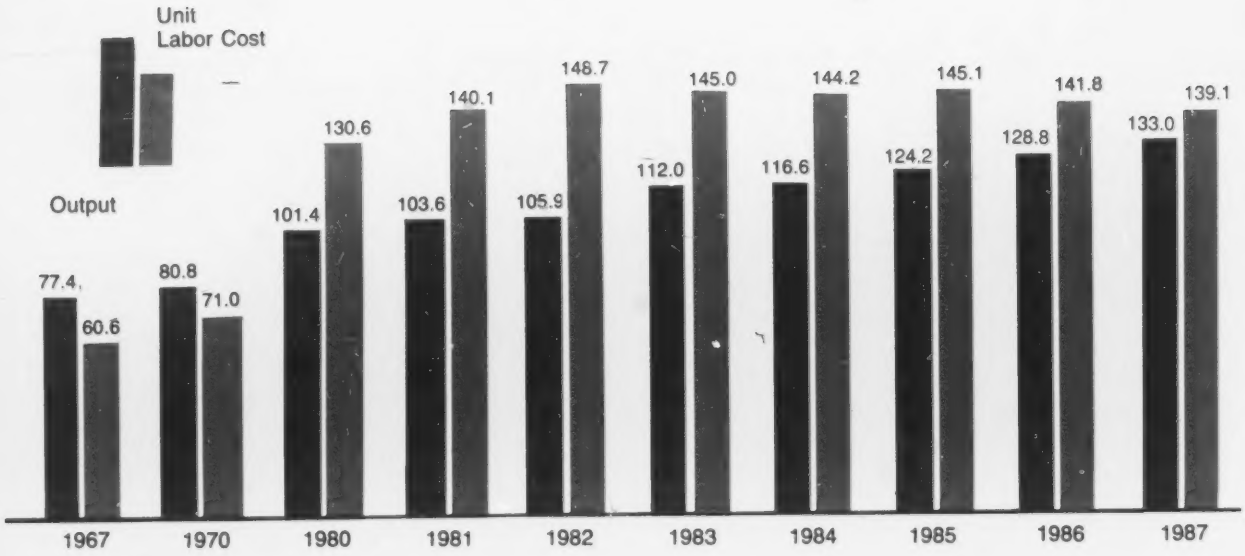
1978	+ 1.5
1979	+ 5.0
1980	+ 0.3
1981	− 1.7
1982	− 3.0
1983	+ 0.8
1984	+ 2.3
1985	+ 4.5
1986	+ 1.9
1987	+ 0.4

Source: Organization for Economic Cooperation and Development (OECD)

U.S.A.

PRODUCTIVITY AND UNIT LABOR COST IN MANUFACTURING

Output and Unit Labor Cost per Hour
Index: 1977 = 100
(on $ basis)



Source: U.S. Department of Labor

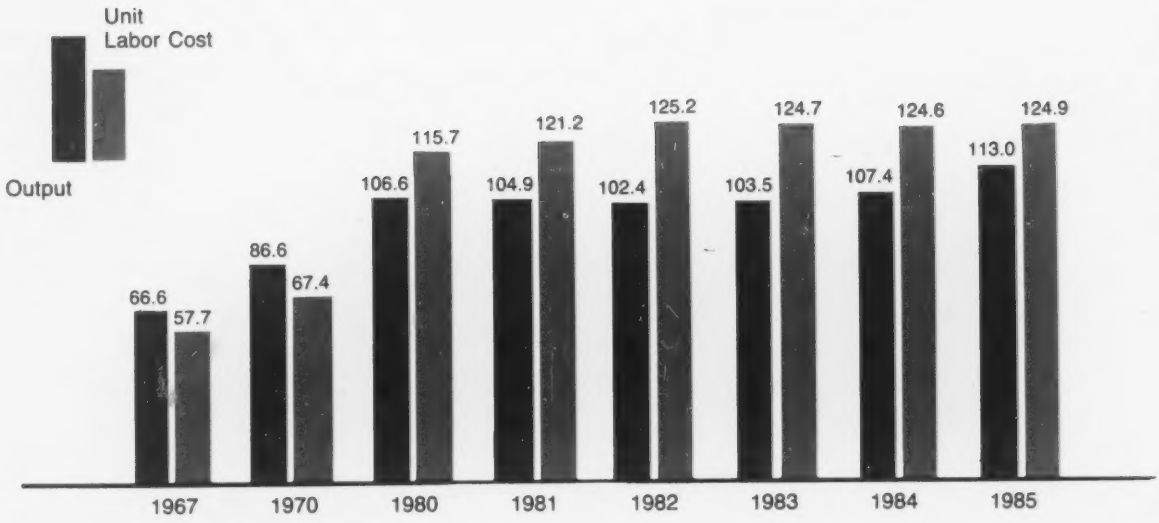
Period	Unit Labor Cost in $	Output per Man-Hour	Hourly Compensation
1967	60.6	77.4	47.0
1970	71.0	80.8	57.6
1979	117.0	101.4	118.8
1980	130.6	101.4	132.7
1981	140.1	103.6	145.8
1982	148.7	105.9	158.0
1983	145.0	112.0	163.4
1984	144.2	116.6	169.1
1985	145.1	124.2	176.9
1986	141.8	128.8	182.7
1987	139.1	133.0	185.1

Source: U.S. Department of Labor

GERMANY

PRODUCTIVITY AND UNIT LABOR COST IN MANUFACTURING

Output and Unit Labor Cost per Hour
Index: 1977 = 100
(on DM basis)



Source: U.S. Department of Labor

Period	Unit Labor Cost in $	Output per Man-Hour	Hourly Compensation
1967	57.7	66.6	34.7
1970	67.4	86.6	48.0
1978	104.5	101.8	107.8
1979	107.3	106.6	116.1
1980	115.7	106.6	125.6
1981	121.2	104.9	134.5
1982	125.2	102.4	141.0
1983	124.7	103.5	148.4
1984	124.6	107.4	155.3
1985	124.9	113.0	164.7

Source: U.S. Department of Labor

U.S.A./GERMANY

GERMAN-U.S. TRADE

Major Items of U.S.–German Trade (in mil. $)

U.S. Exports to Germany				U.S. Imports from Germany		
1980	1986	1987	Products	1980	1986	1987
951.1	447.9	585.8	Food and live animals	168.8	384.4	340.6
31.2	9.8	9.1	Meat and prep.	2.5	5.8	7.0
6.4	3.39	3.1	Dairy products and eggs	16.0	29.2	25.7
19.8	7.8	12.0	Fish and prep.	1.5	4.7	3.1
223.8	18.67	16.6	Cereals and prep.	6.7	21.3	26.2
291.3	168.5	225.4	Fruits and vegetables	34.3	94.5	84.1
361.6	207.4	282.9	Animal feeding stuffs	6.6	10.7	14.6
3.1	2.77	4.1	Coffee, cocoa, spices and prep.	69.3	151.1	134.6
246.0	256.5	207.3	Beverages and tobacco	145.5	229.0	193.8
—	—	—	Beer	43.4	130.5	114.8
2.0	1.02	1.2	Wine	97.3	86.6	64.3
9.7	8.7	12.5	Alcoholic beverages, distilled	—	5.9	7.7
234.1	550.4	194.8	Tobacco, raw and manufactured	2.1	—	3.3
1,500.3	884.6	1,100.51	Crude materials, inedible, exc. fuel	130.1	103.7	135.3
102.9	39.9	52.7	Hides, skins and furskins undressed	3.4	3.1	3.7
398.5	230.3	285.8	Soybeans	—	—	—
66.9	60.2	62.9	Rubber, incl. synthetic and reclaimed	3.3	17.6	19.5
134.6	70.94	—	Wood, lumber and cork	0.5	2.7	2.6
202.9	218.2	254.9	Pulp and waste paper	—	.5	1.0
101.6	98.4	145.4	Raw textile fibers and their waste	11.7	16.8	23.8
84.7	50.9	44.5	Crude fertilizers and minerals	8.6	11.8	13.8
330.3	67.7	109.6	Metalliferous ores and metal scrap	88.5	16.9	31.4
112.3	—	77.3	Nonferrous metal scrap	64.9	—	2.9
18.4	—	25.4	Vegetable materials, crude	1.8	—	—
216.4	78.5	62.8	Mineral fuels and lubricants	26.3	71.8	43.1
136.5	40.1	19.9	Coal, coke, briquettes, lignite, peat	4.4	.2	.1
79.7	38.2	41.8	Petroleum and petroleum products	21.9	71.6	42.7

Source: U.S. Department of Commerce

Continued

Major Items of U.S.–German Trade (in mil. $)

U.S. Exports to Germany			Products *(continued)*	U.S. Imports from Germany		
1980	1986	1987		1980	1986	1987
35.8	5.0	10.6	Oils and fats, animal and vegetable	2.5	0.6	4.3
850.8	1,180.3	1,181.6	Chemicals	1,019.2	1,[illegible].0	2,165.9
396.8	492.72	465.7	Organic and inorganic chemicals	512.0	[illegible]8.6	1,087.6
25.9	22.9	28.7	Essent. oils, perfume materials, soaps	27.6	83.1	93.7
23.4	20.0	34.7	Dyeing, tanning and coloring materials	97.2	221.5	285.7
133.1	295.0	309.0	Medicinal and pharmaceutical products	92.1	166.1	209.9
142.9	205.0	203.7	Synthetic resins and plastic materials	149.4	246.9	273.4
990.9	567.3	647.2	Manufactured goods by chief material	1,493.0	2,671.3	2,833.4
24.6	13.2	47.5	Leather	18.4	34.4	43.6
9.8	11.25	15.5	Tires and tubes for tires	82.9	82.9	218.4
127.8	77.41	99.3	Textile yarn and fabrics	90.7	—	291.3
77.1	56.3	74.7	Wood and cork	6.8	20.6	28.5
142.9	48.8	83.5	Paper and paperboard	21.0	172.9	249.3
47.2	23.6	37.9	Iron and steel	557.1	—	761.6
295.7	48.21	62.2	Nonferrous metals	202.4	—	361.4
180.7	156.9	166.4	Metal manufactures	284.1	—	595.0
49.0	25.8	26.7	Glass, Glassware, Pottery	151.3	233.7	232.7
3,916.4	4,986.2	5,491.8	Machinery and transport equipment:	7,562.9	16,863.0	18,329.5
987.0	149.3	827.5	Electrical machines and apparatus	644.7	385.1	1,547.9
782.0	—	990.7	Transport equipment	3,961.6	—	208.0
74.2	65.7	82.8	—Metalworking machinery	334.2	578.8	519.7
1,083.4	1,568.4	1,855.0	—Office machines	195.1	143.6	551.4
50.7	22.0	21.8	—Agricultural machines	199.4	67.4	61.7
42.0	28.1	36.1	—Textile and leather machinery	249.2	449.3	612.1
291.5	225.3	170.3	—Other machs. for spec. industries	679.1	786.7	831.8
212.8	146.4	173.5	—Telecommunications apparatus	84.4	78.3	158.7
97.2	161.4	193.6	—El. medical and radiolog. apparatus	113.9	456.3	442.8
230.3	243.9	383.9	—Road motor vehicles and parts	3,889.0	8,303.0	8,965.9
533.0	1,015.0	958.3	—Aircraft and spacecraft and parts	48.8	124.7	165.3
1,631.0	1,120.6	1,265.4	Miscellaneous manufactured articles:	890.6	2,215.8	2,306.8
72.0	9.6	32.9	Clothing and accessories	22.9	12.7	15.1
4.5	5.0	6.4	Footwear	16.2	24.9	21.3
482.6	462.7	593.0	Prof., scientific and controlling instruments	277.4	436.9	491.5
210.6	135.9	180.7	Photo equipment, photographic supplies	52.7	153.9	172.4
3.4	2.3	1.7	Watches and clocks	52.0	82.5	70.1
68.1	80.7	126.7	Musical instruments, parts, accessories	38.5	166.0	151.2
26.0	32.3	35.6	Printed matter	36.9	83.1	83.3
52.3	56.3	62.9	Rubber and plastic manufactures	116.1	252.3	285.9
116.1	54.2	72.7	Toys, sporting goods, baby carriages	38.6	94.2	98.4
526.6	75.8	68.2	Artworks, collectors pieces, antiques, jewelry	83.8	151.9	78.7
256.5	253.0	368.1	Items not classified by kind	242.3	731.0	716.2

Source: U.S. Department of Commerce

U.S.A.

DIRECT INVESTMENT

U.S. Direct Investment Abroad (in mil. $)
(annual rates)

By Country	1970	1980	1981	1982	1983	1984	1985	1986	1987
United Kingdom	8,016	28,460	30,316	29,914	30,851	28,635	33,963	35,692	44,673
Japan	1,482	6,225	6,762	6,928	8,059	7,920	9,095	11,332	14,279
Germany	4,313	15,415	15,841	15,860	16,008	14,794	16,746	20,846	24,450
Canada	21,015	45,119	47,073	46,183	47,553	46,830	46,435	49,994	56,879
Italy	1,464	5,397	5,275	4,642	4,790	4,592	5,644	6,935	8,449
France	2,643	9,347	9,132	7,807	6,900	6,224	7,835	8,857	11,478
Switzerland	2,631	11,280	12,499	13,336	15,065	14,865	16,230	17,842	19,973

Source: U.S. Department of Commerce

Foreign Direct Investment in the U.S.A. (in mil. $)
(annual rates)

By Country	1970	1980	1981	1982	1983	1984	1985	1986	1986
United Kingdom	4,127	14,105	18,471	28,447	32,152	38,387	43,766	55,935	74,941
Germany	680	7,596	9,459	9,850	10,845	12,330	14,417	17,250	19,637
Japan	229	4,723	7,688	9,679	11,336	16,044	19,116	26,824	33,381
Canada	3,117	12,162	11,870	11,708	11,434	15,286	16,678	20,318	21,732

Source: U.S. Department of Commerce

GERMANY

DIRECT INVESTMENT

German Direct Investment Abroad (in mil. DM)
(annual rates)

By country	1980	1981	1982	1983	1984	1985	1986	1987
United States	3,380.1	3,402.8	3,274.5	2,748.8	3,257.5	7,665.4	8,003	6,906
Belgium/Luxemburg	1,028.1	1,020.5	749.4	621.7	474.7	562.3	290	88
France	453.7	621.6	304.4	383.2	494.1	494.5	486	715
Brazil	362.7	731.0	603.2	528.6	130.2	–69.2	–42	238
Switzerland	542.9	367.0	307.4	614.1	211.7	38.8	473	465
Canada	421.5	479.0	382.3	–14.2	208.0	36.2	413	211
United Kingdom	171.0	295.0	1,050.9	1,058.0	1,091.1	2,615.6	985	1,095
Spain	228.2	91.0	304.4	448.4	533.2	52.2	1,223	306
Netherlands	254.8	60.7	556.1	–836.2	579.5	–33.7	1,745	425
Italy	212.8	164.4	269.3	162.1	207.9	1,221.7	1,151	319
By industry	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**
Chemicals, medical, pharmac. products	835.7	1,546.2	755.6	1,117.9	925.4	4,149.1	4,288	1,487
Finance	968.2	1,884,7	905.3	1,730.6	1,321.8	2,814.8	1,814	857
Electrical engineering	605.0	477.6	939.2	648.7	757.8	876.4	1,899	519
Motor vehicles	897.9	1,339.1	1,004.6	1,368.6	1,182.8	1,340.6	2,199	452
Mechanical engineering	807.8	556.6	850.7	1,048.6	416.5	370.7	402	683
Iron & Steel	224.0	–8.9	663.9	–671.6	260.0	67.1	213	499
Petroleum	301.9	544.2	786.3	400.8	425.0	43.6	611	452
Insurance	233.7	156.2	671.0	247.9	276.8	2,052.2	740	1,411
Real estate	151.1	235.7	141.7	65.1	267.9	42.2	–68	41

Source: Deutsche Bundesbank, Germany

Foreign Direct Investment in Germany (in mil. DM)
(annual rates)

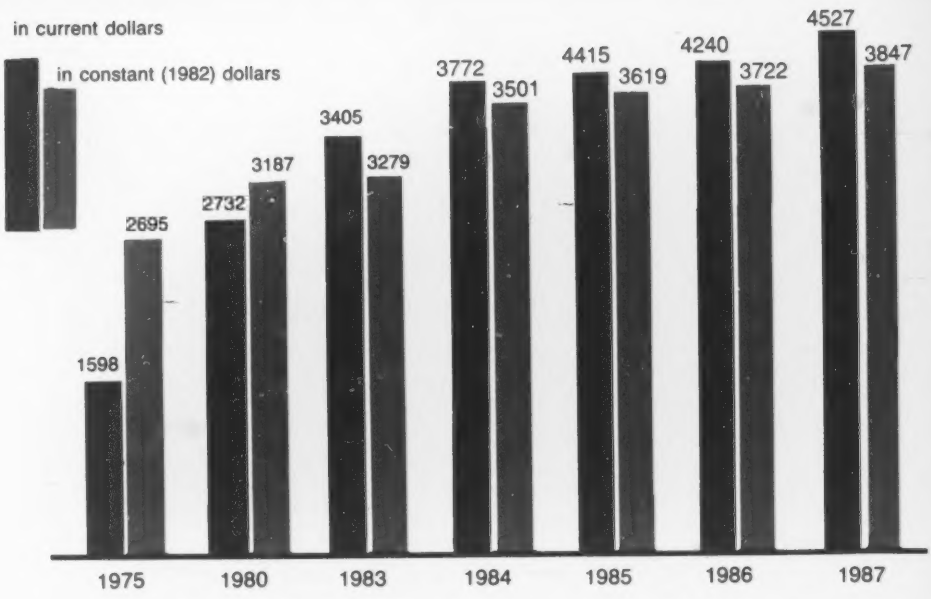
By country	1980	1981	1982	1983	1984	1985	1986	1987
United States	172.2	405.5	1,220.9	1,236.2	–132.1	572.1	–412	–783
Switzerland	88.5	670.2	489.8	901.8	285.9	536.9	750	106
United Kingdom	908.8	848.4	663.9	223.3	1,591.4	618.8	518	162
Netherlands	574.0	725.7	306.7	–753.9	86.0	773.1	898	234
France	175.1	281.3	429.7	352.7	359.0	93.4	356	130
Belgium/Luxemburg	36.1	214.0	200.9	124.3	–24.6	–18.0	–178	–46
Japan	155.3	206.2	262.0	263.4	351.8	588.4	246	354
Sweden	104.7	87.2	1.9	272.0	1.5	7.6	16	96
Italy	32.0	43.0	15.1	–46.4	435.4	160.8	84	78
Austria	30.0	59.0	63.9	129.9	167.6	14.6	85	–129
By industry	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**	**1986**	**1987**
Holding companies	15.2	450.6	1,541.5	416.2	445.8	1,380.0	2,565	–127
Petroleum	298.4	228.6	373.6	–139.5	377.5	48.9	300	*
Finance	603.0	712.4	535.9	178.1	1,407.2	1,346.6	339	507
Chemicals	950.9	476.0	–118.0	434.1	82.2	–296.2	–848	–88
Electrical engineering	31.1	469.7	290.0	452.9	39.1	189.4	48	–415
Mechanical engineering	213.6	422.4	456.8	408.8	338.2	59.6	–12	–267
Motor vehicles	26.3	361.3	72.2	501.8	271.0	139.0	243	–186
Food	–222.4	–101.7	6.9	207.3	83.6	99.1	–78	495
Nonferrous metals	80.2	173.0	6.5	583.6	79.8	61.3	–39	–66
Iron & Steel	–29.3	112.4	–275.8	–1,188.7	–126.5	–39.2	*	*

Source: Deutsche Bundesbank, Germany
Bundesministerium fur Wirtschaft

U.S.A.

GROSS NATIONAL PRODUCT
(in bil. $)

GNP Total



Source: U.S. Department of Commerce

GNP by Type of Expenditure
(at current prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Gross Private Domestic Investment	Net Exports of Goods and Services
1972	1,212.8	10.0	757.6	250.0	202.0	3.2
1973	1,359.3	12.1	837.2	266.5	238.8	16.8
1974	1,472.8	8.3	916.5	299.1	240.8	16.3
1975	1,598.4	8.5	1,012.8	335.0	219.6	31.1
1976	1,782.8	11.5	1,129.3	355.9	277.7	18.8
1977	1,990.5	11.7	1,257.3	387.3	344.1	1.9
1978	2,249.7	13.0	1,403.5	425.2	416.8	4.1
1979	2,508.2	11.5	1,566.8	467.8	454.8	18.8
1980	2,732.0	8.9	1,732.6	530.3	437.0	32.1
1981	3,052.6	11.7	1,915.1	588.1	515.5	33.9
1982	3,166.0	3.7	2,050.1	641.7	447.3	26.3
1983	3,405.7	7.6	2,234.5	675.0	502.3	–6.1
1984	3,772.2	10.7	2,430.5	735.9	664.8	–58.9
1985	4,414.9	17.0	2,629.0	820.8	643.1	–78.0
1986	4,240.3	–4.0	2,807.5	871.2	665.9	–104.4
1987	4,526.7	7.0	3,012.1	924.7	712.9	–123.0

Source: U.S. Department of Commerce

GNP by Type of Expenditure
(at constant 1972 prices)

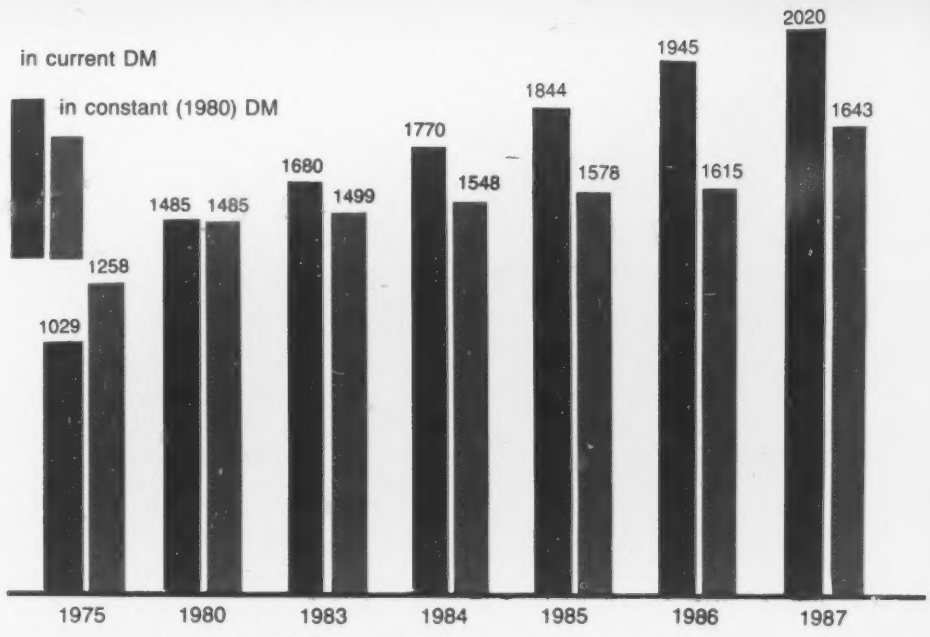
Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Gross private domestic investment			Net Exports of Goods and Services
					Nonresidential fixed	Residential fixed	Change in business inventories	
1972	2,608.5	5.0	1,621.9	570.7	277.0	166.6	21.8	–49.5
1973	2,774.1	5.2	16,89.6	565.3	317.3	163.4	40.0	–31.5
1974	2,729.3	–.5	1,674.0	573.2	317.8	130.2	33.3	0.8
1975	2,695.0	–1.3	1,711.9	580.9	281.2	114.9	–12.8	18.9
1976	2,826.7	4.9	1,803.9	580.3	290.9	140.8	22.1	–11.0
1977	2,958.6	4.7	1,883.8	589.1	324.0	168.1	29.1	–35.5
1978	3,115.2	5.3	1,961.0	604.4	362.1	178.0	36.8	–26.8
1979	3,192.4	2.5	2,004.4	609.1	389.4	170.8	15.0	3.6
1980	3,187.1	–.2	2,000.4	620.5	379.2	137.0	–6.9	57.0
1981	3,248.8	1.9	2,024.2	629.7	395.2	126.5	23.9	49.4
1982	3,166.0	–2.5	2,050.7	641.7	366.7	105.1	–24.5	26.3
1983	3,279.1	3.6	2,146.0	649.0	361.2	149.3	–6.4	–19.9
1984	3,501.4	6.8	2,249.3	677.7	425.2	170.9	62.3	–84.0
1985	3,618.7	3.4	2,354.8	731.2	453.5	174.4	7.4	–104.3
1986	3,721.7	2.8	2,455.2	760.5	433.1	195.0	13.8	–137.5
1987	3,847.0	3.4	2,521.0	780.2	445.1	195.2	n.a.	–128.9

Source: U.S. Department of Commerce **Note: For 1984, 1985, and 1986 GNP in constant (1982) dollars*

GERMANY

GROSS NATIONAL PRODUCT
(in mil. DM)

GNP Total



Source: Statistisches Bundesamt, Germany

GNP by Type of Expenditure (in mil. DM)
(at current prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Investment	Net Exports of Goods and Services
1960	303.0	11.7	171.8	40.5	73.6	60.7
1970	675.7	13.0	368.9	106.5	172.1	152.9
1974	985.6	7.3	533.7	190.2	212.7	279.0
1975	1,029.4	4.4	585.3	210.0	209.4	271.2
1976	1,126.2	9.4	632.5	221.7	225.7	309.0
1977	1,199.2	6.5	683.2	235.0	242.4	325.8
1978	1,291.6	7.7	728.9	252.9	266.0	344.7
1979	1,396.6	8.1	785.0	273.3	303.4	377.4
1980	1,485.2	6.3	840.8	297.8	335.8	422.3
1981	1,545.1	4.0	887.9	318.2	335.2	482.1
1982	1,597.1	3.4	918.1	326.2	326.9	517.5
1983	1,680.4	5.2	964.2	336.2	343.8	524.8
1984	1,769.9	5.3	1,003.6	350 2	354.6	590.8
1985	1,844.3	4.2	1,038.3	365.7	360.8	647.5
1986	1,945.2	5.5	1,068.6	382.6	377.4	638.2
1987	2,020.1	3.9	1,112.0	397.2	389.3	638.3
1988 I	1,017.2	5.6	555.6	189.2	- - -	- - -

Source: Statistisches Bundesamt, Germany

GNP by Type of Expenditure
(at constant 1980 prices)

Period	Gross National Product	% chg. from yr. earlier	Personal Consumption	Government Consumption	Investment	Net Exports of Goods and Services
1960	731.7	—	370.6	137.5	189.9	120.9
1970	1,134.0	5.0	606.8	211.9	291.9	248.4
1974	1,276.5	0.2	691.5	253.4	286.4	348.0
1975	1,258.0	–1.4	713.9	262.8	271.3	324.6
1976	1,328.2	5.6	740.4	266.8	281.0	356.7
1977	1,363.4	2.7	771.8	270.4	291.1	368.5
1978	1,407.9	3.3	801.5	280.8	304.7	383.7
1979	1,463.6	4.0	830.4	290.3	326.7	401.0
1980	1,485.2	1.5	840.8	297.8	335.8	422.3
1981	1,485.3	0.0	836.4	303.3	319.7	456.7
1982	1,471.0	–0.1	825.2	300.7	302.9	471.5
1983	1,498.9	1.9	839.6	301.4	312.4	469.0
1984	1,548.1	3.3	852.3	308.8	314.9	511.1
1985	1,578.1	1.9	864.0	315.3	315.1	545.7
1986	1,614.7	2.3	893.4	323.2	325.4	545.9
1987	1,643.2	1.8	924.7	328.3	331.3	550.2
1988 I	823.1	3.9	456.9	162.3	- - -	- - -

Source: Statistisches Bundesamt, Germany

GERMANY / U.S.A.

CURRENCY EXCHANGE RATES

Average Exchange Rates
(value of $1.00 in DM)

Annual Average	
1975	DM 2.46
1977	2.32
1978	2.01
1979	1.83
1980	1.82
1981	2.25
1982	2.43
1983	2.56
1984	2.85
1985	2.94
1986	2.17
1987	1.80
1988	1.76

Source: Deutsche Bundesbank

Monthly Average		
1987	Jan.	DM 1.8581
	Feb.	1.8265
	March	1.8339
	April	1.8110
	May	1.7863
	June	1.8184
	July	1.8470
	Aug.	1.8581
	Sept.	1.8129
	Oct.	1.8021
	Nov.	1.6812
	Dec.	1.6332
1988	Jan.	1.6517
	Feb.	1.6976
	March	1.6780
	April	1.6733
	May	1.6934
	June	1.7557
	July	1.8440
	Aug.	1.8874
	Sept.	1.8669
	Oct.	1.8215

Source: Deutsche Bundesbank

Ratio of Savings to Disposable Personal Income
(percent)

U.S.A.	
1980	7.1
1981	7.5
1982	6.8
1983	5.4
1984	6.3
1985	5.1
1986	4.0
1987	3.2

Source: U.S. Department of Commerce

Ratio of Savings to Disposable Personal Income
(percent)

Germany	
1980	14.0
1981	14.8
1982	13.8
1983	12.2
1984	12.8
1985	12.7
1986	13.5
1987	13.5

Source: Deutsche Bundesbank

*1. * No figures available*

2. Note that CPI still on basis year 1980; to be converted to 1985 this year

IMPORTANT GERMAN CORPORATE INVESTORS IN THE USA

GERMAN FIRM	MOST IMPORTANT U.S. AFFILIATE OR PARTICIPATION	PERCENT SHARE	NUMBER OF EMPLOYEES
Bayer	Mobay Chemical	100	5,929
	Miles Laboratories	100	13,000
	Helena Chemical	100	773
	Agfa-Gevaert Corp.	100	1,400
	Other Companies	100	3,000
Bertelsmann AG	Bertelsmann, Inc.	100	10,320
	Bantam Doubleday Dell Publishing Group	100	
	Bertelsmann Music Group	100	
	Bertelsmann Printing and Manufacturing Corp.	100	
	Doubleday Book and Music Clubs	100	
	Doubleday Book Shops	100	
	Gruner & Jahr USA Publishing	100	
BASF	BASF Corporation	100	21,760
Hoechst	Hoechst Celanese Corp.	100	24,000
Siemens AG	Siemens Corporation	100	26,878
	Siemens Energy and Automation	100	
	Siemens Components, Inc.	100	
	Siemens Communications Systems, Inc.	100	
	Siemens KWU, Inc.	100	
	Osram Corporation	100	
	Graphic Systems, Inc.	100	
Thyssen Group	Budd Co.	100	n.a.
Daimler-Benz Group	Freightliner	100	5,800
Henkel KGaA	Clorox	27	5,600
	Henkel Corp.	100	3,000
Tengelmann Group	Great A&P Tea	52.5	83,000
Franz Haniel & Cie	Scrivner Inc.	100	4,000
Otto Versand	Spiegel Inc.	100	6,000

ACKNOWLEDGEMENTS

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Spring, Summer, Autumn and Winter.

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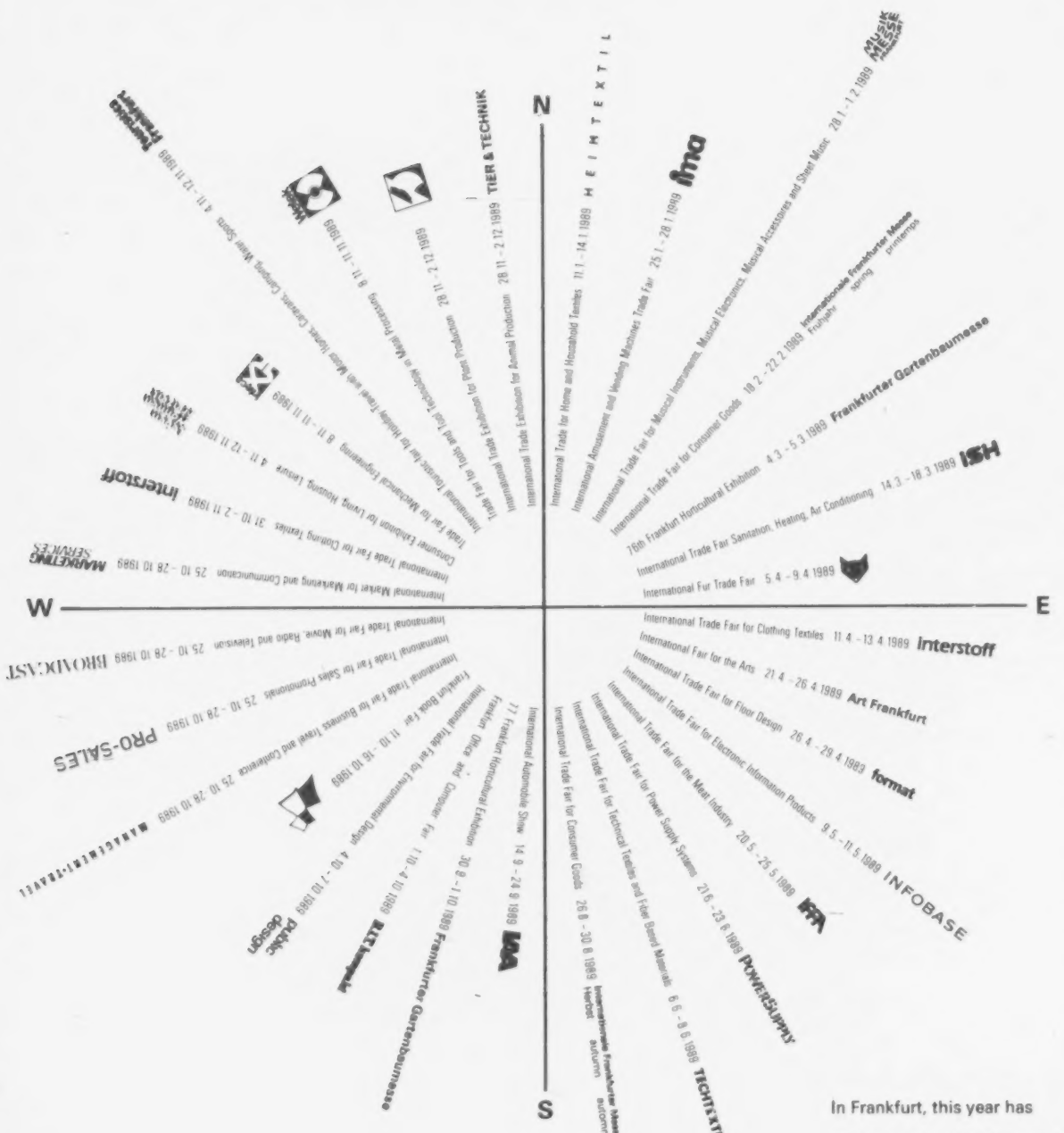
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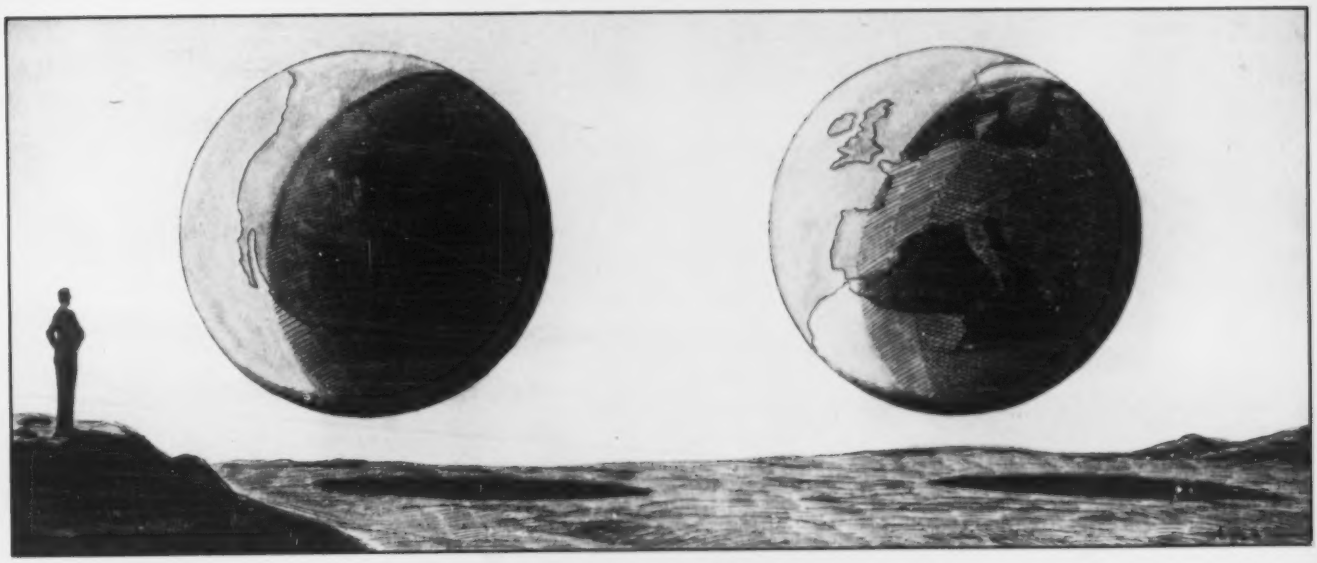

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The Best of Both Worlds

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COMPUTER

HEARING SPECIALISTS.

THE WAY WE TALK BUSINESS IS BY LISTENING.

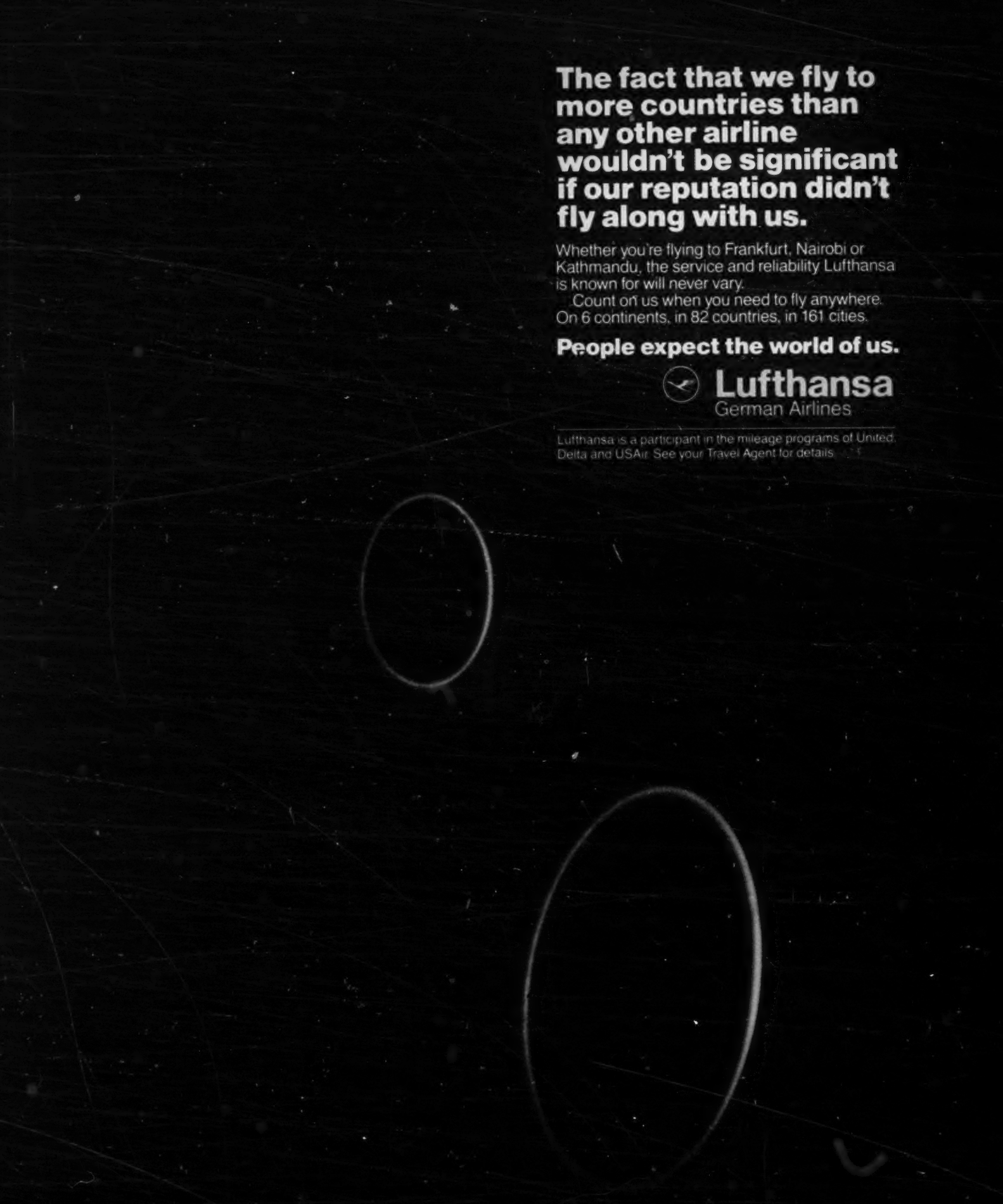
One thing a shipping company can't afford to be is hard of hearing. That's why our lines of communication are wide open. We work person-to-person with you to understand the problems unique to your business. And you always have someone to talk to about your questions and concerns. Someone who understands your business. That's because our sales, operations and traffic departments listen to each other.

In fact, we're such good listeners that we'll keep in touch after you've shipped with us to find out how it went.

We see ourselves and our vendors as global working partners with you. If that's the kind of service you need, call us. We're all ears.

OOCL

Dedicated to Quality Service


The fact that we fly to more countries than any other airline wouldn't be significant if our reputation didn't fly along with us.
Whether you're flying to Frankfurt, Nairobi or Kathmandu, the service and reliability Lufthansa is known for will never vary.
Count on us when you need to fly anywhere. On 6 continents, in 82 countries, in 161 cities.
People expect the world of us.
Lufthansa
German Airlines
Lufthansa is a participant in the mileage programs of United, Delta and USAir. See your Travel Agent for details.